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Managing the unmeasurable

performance management of voluntary hospices

Managing the unmeasurable: performance management of voluntary hospices

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Abstract

This thesis investigates how the performance of UK voluntary organisations is managed. In particular, it considers the role of performance measures in the management of voluntary hospices. The voluntary sector has come under increasing pressure to account for its performance but it faces difficulties in how to measure this effectively. The mission of voluntary hospices is to ensure 'a good death'; an intangible and complex outcome. This thesis considers how voluntary hospices manage the unmeasurable by advocating that performance management should not be limited to performance measures but incorporate broader notions of management control. By comparing the literature of general theories of management control to that of voluntary sector performance measurement, gaps are identified. Effective management control is considered to have various characteristics, including diverse measures, aligned measurement systems, integrated and comprehensive performance management. However, management control includes broader notions of control as a package (Malmi and Brown, 2008). This thesis argues that this is evident in voluntary sector organisations, but not acknowledged within its performance measurement literature. Adopting middle-range thinking (Laughlin,1995), this research develops a skeletal framework from both these literatures as well as from an analysis of the statutory returns of 148 voluntary hospices in England and Wales. The 'flesh' is then put on the skeleton by carrying out an analysis of five case hospices. This thesis makes a contribution to knowledge in several ways. First, it suggests that voluntary sector performance measurement literature should be broadened to include notions of management control as a package. Second, it argues that general management control frameworks need refinement to accommodate voluntary sector characteristics. Third, it proposes a voluntary sector performance management framework, informed by Simons' (1995) Levers of Control, but substantially reconfigured for use in the voluntary sector, incorporating levers which overlap and informal controls.

Dedication

I wish to dedicate this thesis to my children, Chris, Ben and Becky, who have worked alongside me during university vacations and have all beaten me to graduation; and to my mother, Gillian Potter, who has patiently waited for this thesis to be completed. Finally, I dedicate it to my late husband, Tim, whose insight into dysfunctional charity boards would have been illuminating and whose intellectual rigour would have enhanced this thesis.

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Author’s declaration

I declare that the work in this dissertation was carried out in accordance with the requirements of the University's *Regulations and Code of Practice for Research Degree Programmes* and that it has not been submitted for any other academic award. Except where indicated by specific reference in the text, the work is the candidate's own work. Work done in collaboration with, or with the assistance of, others, is indicated as such. Any views expressed in the dissertation are those of the author.

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BME	Black minority ethnic
BSC	Balanced scorecard
CCG	Clinical Commissioning Group
CQC	Care Quality Commission
CSR	Corporate Social Responsibility
GSF	Gold Standard Framework
KPI	Key Performance Indicator
LCP	Liverpool Care Pathway
LOC	Levers of Control
NGO	Non-governmental Organisation
NHS	National Health service
NPC	New Philanthropic Capital
NPO	Non-Profit Organisation
NVCO	National Council for Voluntary Organisations
PMCS	Performance Management Control System
SIR	Summary Information Return
SMT	Senior Management Team
SORP	Statement Of Recommended Practice
SPMS	Strategic Performance Management System
TAR	Trustees' Annual Report

Chapter 1: Introduction

1.1 Introduction

Voluntary sector organisations are coming under increasing pressure to account for their performance to a wide range of stakeholders in a variety of ways. This thesis investigates how performance is measured in one sub-sector – voluntary hospices within English and Welsh charities. Along with many other voluntary sector organisations, hospices face difficulties in how to measure intangible and complex outcomes. This thesis not only considers how performance measures are reported to external stakeholders but how they are used internally to manage their operations. It questions what role performance measures play in managing voluntary sector organisations. In the case of hospices, it asks whether it is meaningful to measure its fundamental purpose: enabling its beneficiaries to experience a 'good' death. How do they manage the unmeasurable?

This thesis draws on both the literatures of management control and voluntary sector performance measurement. Performance management has a long established research tradition within management accounting. Management control theory, which includes performance management, has developed from the seminal work of Anthony (Berry, et al., 2005) which considers how organisations achieved their objectives efficiently and effectively. There is also an extensive and growing range of literature on voluntary sector performance measurement and organisational effectiveness. This thesis considers how the theories from each set of literature could influence the other and how frameworks developed in one might be applied effectively in the other. In particular, this research considers the applicability of Ferreira and Otley's (2009) Performance Management and Control system (PMCS) and Simons' (1995) Levers of Control (LOC) to the research of management control within a voluntary sector setting. These frameworks are used to understand how measures are used in the management of voluntary hospices. Derived from

the literature and empirical findings, the thesis proposes a new performance management framework for hospices and the voluntary sector. It also suggests refinements to the existing generic performance management frameworks.

1.2 The UK voluntary sector

The role of the voluntary sector is changing both in the UK and on the world stage where Non-Governmental Organisations (NGOs) 'have become perceived as major agents in development and poverty reduction' with a 'boom period' following structural change in global state, market and civil society relationships (Ahmed & Hopper, 2015, p. 17 & 25). Anheier (2005, p. 11) boldly claims that 'the full recognition of the immensely elevated position and role of non-profit organisations in the beginning of the 21st century is the main difference to the latter part of the previous century when non-profits were rediscovered as providers of human services in the welfare state.' In the UK, the political climate has promoted the role of the voluntary sector in the last decade. Calls for the 'Big Society' by David Cameron were built on philosophies developed under New Labour, encouraging the public sector to outsource more activity to the voluntary sector and encourage involvement of the public in social service provision (Arvidson, 2009) but has also been met with scepticism (Macmillan, 2013). Hybrid organisational models, such as social enterprises, bridge private sector practice with voluntary sector mission (Dart, 2004; Nicholls, 2009). Thus, there is a blurring of distinctions between the private, public and voluntary sector (Anheier, 2005; Bruce & Chew, 2011).

The voluntary sector is so diverse that its definition and terminology lacks clarity and is famously described by Kendall and Knapp (1996) as a 'loose and baggy monster.' In the UK, the third sector comprises a 'myriad of organisations' (Arvidson, 2009) with a wide-range of civil society

activities from social services with an income of £9.7bn in 2014-15 to culture (£5.1bn), health (£4.6bn), international (£4.5bn), environment (£2.8bn), education (£1.8bn), religion (£5.1bn) and housing (£1.4bn) amongst others (NCVO, 2017). It is variously described as the civil society or the third sector and includes non-profit (NPO) and non-governmental (NGO) organisations. The National Council for Voluntary Organisations (NCVO) adopts a broad definition of 'civil society', including organisations as diverse as co-operatives and village halls while the term third sector envisages it as a space between state and the market, providing services where markets have failed and that governments cannot provide (Anheier, 2005; Barman, 2007). In the UK, charities are a defined group due to their legal status and represent under half of the number of organisations within civil society (NCVO, 2017). In this thesis, the term voluntary sector will be used for general context and, where applicable, the name charitable sector is utilized where it includes a specific set of legal entities registered with the UK Charity Commission. The features of such organisations are disputed, given 'the lack of unanimity (which) reflects different perceptions of highly ambiguous organisations working within contested moral and political domains of development and practice' (Ahmed & Hopper, 2015, p. 19). However, Salamon and Anheier (1997) have provided a widely accepted definition of five key features: they are formally organised with meetings and officers; they are not funded by the state although may receive income from the government; they are non-profit-distributing so any financial surplus is not given back to owners or directors; they are self-governing and manage their own affairs; and they are voluntary, with volunteers helping to some meaningful extent. This definition will be used in this thesis, albeit supplemented by recognising its mission-driven approach described by the World Bank as 'characterised primarily by humanitarian or co-operative rather than commercial objectives, and that generally seek to relieve, promote the interests of the poor, protect the environment, provide basic social services, or undertake community development' (World Bank 1997, cited by Ahmed and Hopper, 2015 p.19).

The charity sector in the UK is growing fast and contributes significantly to society, not only in its social mission but also economically and politically (Cordery & Sinclair, 2013; Hoque & Parker, 2015). In the UK, there were 167,063 registered charities in England and Wales, with a total annual revenue of £74.5bn in March 2017. The numbers of employees working within the sector are significant at over 800,000 (Charity Commission, 2018) and it is estimated that 14m people are engaged in voluntary activities at least once a month (NCVO, 2017). There is a wide range of size within the sector: the smallest 39% of charities generate less than 0.3% of the income, while those with income of over £5m represent just 1.3% in number but 72% of the total charitable income (Charity Commission, 2018). In England and Wales, charities are regulated by the Charity Commission, with Scotland and Northern Ireland having their own regulators. The extent of reporting in England and Wales is determined by their income levels. Charities can also be constituted in different ways and so can be subject simultaneously to other regulation, such as company law. Thus, charities are subject to a complex mix of regulation, depending on geography, size, and legal status.

1.3 Performance measurement in the voluntary sector

With the growth in the number and influence of voluntary sector organisations both in the UK and abroad, there have been some major developments in how they are expected to operate, including significant pressures on demonstrating their performance (Carman, 2009). Different contractual relationships are emerging as voluntary organisations move from funded models to receiving grants or contracts dependent on service provision, particularly from government sources (Moxham, 2013; Furneaux & Ryan, 2015; Morris, et al., 2015). There is increased competition for limited funding in the years of austerity with a greater proportion of funding coming from commercial sources (McKay, et al., 2011). Donations

from the public remain a significant part of the funding regime but they too are less willing to rely on trust. The financial consequences of the recent scandals in Oxfam, Save the Children and other humanitarian organisations are beginning to emerge. Organisations such as New Philanthropic Capital (NPC) and the NCVO are promoting more responsible giving through informed decision-making dependent on improved performance information (Connolly, et al., 2015; Harlock, 2013). Influenced by developments in the public sector, notably New Public Management, voluntary sector organisations have come under pressure to account for their operations with greater transparency (Buckmaster, 1999; Morris, et al., 2015; LeRoux & Wright, 2010; Manville & Broad, 2013). Barman (2007, p. 112) argues that performance measurement is a socially constructed concept and, in the UK voluntary sector, it 'waxes and wanes' with an increase in the early twentieth century followed by a decline as the welfare state grew in the mid-century. However, since the 1990s there has been a significant increase in pressure to measure activities to demonstrate competence. Some argue that this is due to isomorphism whereby voluntary sector organisations are adopting certain practices to gain legitimacy (Hyndman & McDonnell, 2009). Others take a less cynical view and suggest it is self-imposed by voluntary organisations trying to provide the best service (Cairns, et al., 2005). It has certainly become more complicated as organisations seek to demonstrate their effectiveness as part of wider networks and partnerships (Lecy, et al., 2012).

1.4 The UK voluntary hospice sub-sector

This research has been limited to one sub-sector: voluntary hospices in England and Wales. Anthony and Young (2003) argue that management control systems are highly contingent on sub-sector characteristics while NPC (Pritchard, et al., 2012) is considering sub-sector specific performance measures as the most meaningful way of measuring

performance. Although voluntary hospices represent only a small part of the charitable sector with £1.3bn received in revenue in 2014/15 (HospiceUK, 2017), they are a clearly defined group within the UK voluntary sector. Their umbrella organisation, Hospice UK (formerly Help the Hospices), gives a collective voice for the hospices and provides a definitive list of English and Welsh hospices. Its website provides much information on the issues facing this sub-sector, including guidance on performance measurement. They share many characteristics of the sector as a whole. There is a range of organisational size, although not as diverse as the whole sector: 48% of hospices spend over £5m but account for 75% of total sector expenditure while the smallest hospices (with expenditure of under £2m) represent 20% in number but only 4% of expenditure. Funding is fragmented and volatile resulting in the declining reserves of the top 35 English hospices since the financial crisis (Haslam, et al., 2017). Government funding is a significant part of its revenue, providing 33% of funding for adult hospices in 2014-15. They are simultaneously facing funding pressures and increased demands for their services (HospiceUK, 2017) and are experiencing changing relationships with the public sector, particularly with NHS commissioners. The hospice sector also remains dependent on donations from the public, particularly for child hospices (59% of total income in 2014-15). It is also typical of wider trends by actively working to generate income from trading activity: 13% of adult and 4% of child hospices income is derived from trading profit (HospiceUK, 2017). Moreover, hospices share many issues other than funding pressures with the voluntary sector as a whole, such as amorphous missions, complicated patterns of service delivery, outcomes shared with other providers and multiple stakeholders. All of these factors have implications for their performance measurement and management. This study is therefore not just intended to enhance understanding of voluntary hospices but has relevance for the voluntary sector as a whole.

1.4.1 Amorphous aims

A hospice's mission is intangible; the concept of measuring a 'good death' is an anathema to many (McKenzie, et al., 2012). The Chief Executive of Sue Ryder admitted to struggling with such a concept on his appointment. His staff found it difficult to come up with even a set of measures, finally concurring that 'they are seeking the maximum possible well-being for users suffering various conditions' (McKenzie, et al., 2012, p. 2). This too presents difficulties since a deterioration of such measures (eg mobility, level of consciousness) is 'not in itself a measure of poor care' (Department of Health, 2008, p. 134). The modern hospice movement is committed to holistic approaches to end-of-life care, meeting the physical, emotional and spiritual needs of patients and their families. Cecily Saunders, who is credited with founding the modern hospice movement, wrote:

> *'Palliative care is a philosophy based not on physical facilities but on attitudes and skills*' (Saunders, 2001, p. 432).

This is very clearly echoed in the aims of individual voluntary hospices, as expressed in their statutory returns. 'Dying is an important part of living. The last chapter of people's lives is of high value and it strives for the best quality of life during this period' (Hospiscare, 2012). They 'aim to treasure life by improving the quality of life for those who have a life limiting illness' (Willowburn,2012) or in the case of children, make 'the most of short precious lives' (Childrens' South West,2012) , 'no matter how severe their disabilities' (Zoe's Place,2012).

1.4.2 Complicated patient journeys

The palliative care of a patient is complicated but sees death as a normal part of life. 'It aims neither to hasten or postpone death' (Joy & Sandford, 2012, p. 5). By attempting to alleviate 'total pain', it not only

provides relief from physical symptoms but provides holistic support for the social, psychological and spiritual needs of patients. 'We believe that our patients are whole people who have, in addition to their physical problems, psychological, emotional and spiritual needs that should be addressed in the course of their care' (St Leonards,2012). Terminal illness can be seen as a 'patient journey' beginning even before diagnosis. It includes medical treatments, such as surgery, chemotherapy and radiotherapy after diagnosis. Palliative care provides support through this treatment period, but its provision increases towards the end-of-life with nursing care, pain and symptom management and 'total pain' relief. As 'each person is more than an illness,' (Nottingham, 2012), they are 'respecting the uniqueness of each person and family' (Dorothy House, 2012). Measurement of standardised services is difficult as patient pathways are individual, complicated and not necessarily continuous (see Figure 1.1).

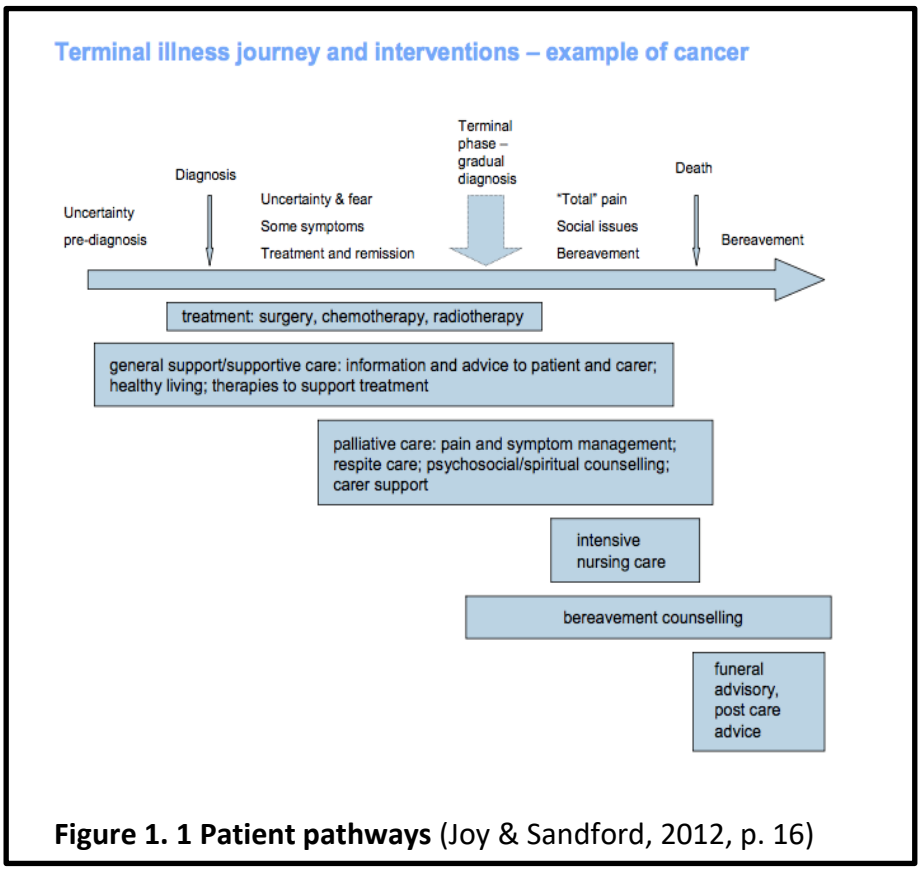


Figure 1. 1 Patient pathways (Joy & Sandford, 2012, p. 16)

Palliative care can take place in different settings: hospitals, hospices, in patients' homes or in care homes. It involves a multi-disciplinary approach, with teams made up of specialist and generalist clinicians and other social/healthcare professionals. Often these come from different service providers, from the public, voluntary and occasionally the private sector. 'We aim to help all patients achieve a good death…through direct provision of our services (and) through working collaboratively with other health care providers' (St Michaels, Harrogate,2012). Hospices are one part of a complicated network, seen in Figure 1.2.

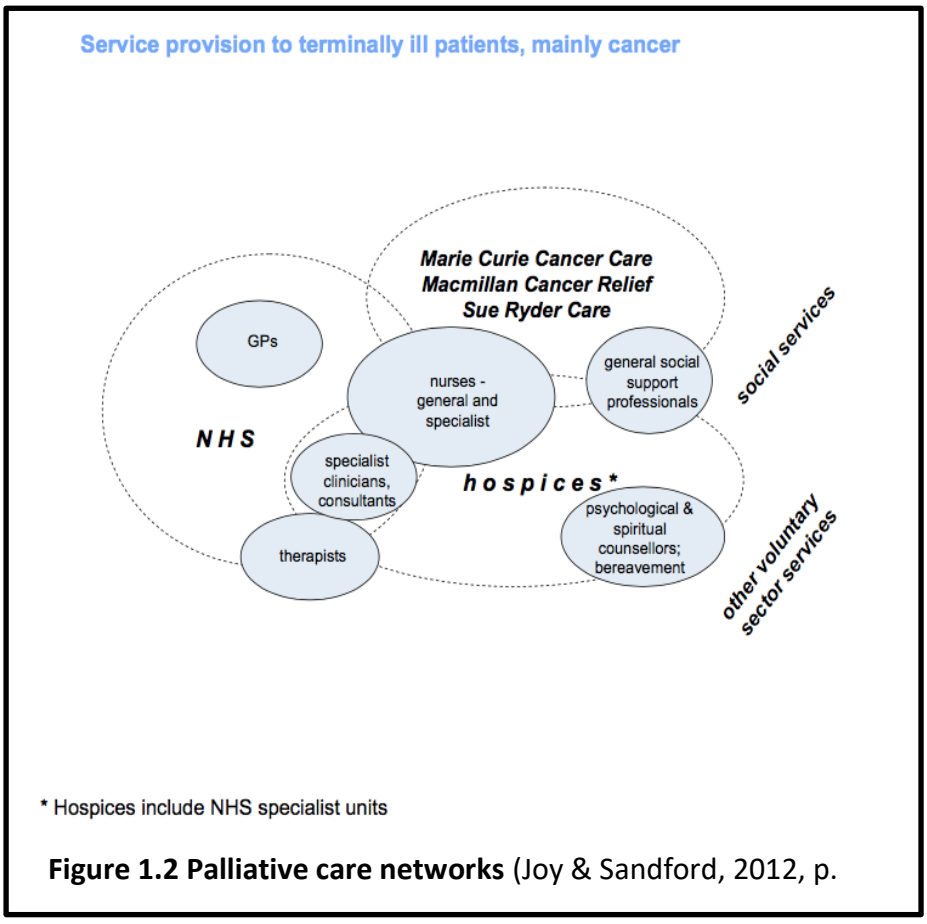


Figure 1.2 Palliative care networks (Joy & Sandford, 2012, p.

As with other voluntary organisations, hospices have multiple stakeholders including patients, families, carers, staff and volunteers. They aim to 'meet the needs of the whole family, from diagnosis to bereavement and beyond' (Demelza,2012). Services are delivered in

different ways, from in-patient hospital beds to outpatient clinics, community nurse specialists, home visits and telephone advice (HospiceUK, 2017). Many hospice services extend beyond the care of patients and their families, offering research and education to professionals.

1.4.3 Funding of palliative care

Such complicated 'patient journeys' have significant implications for how palliative care is funded effectively. 'The economic cost of dying is high' (Joy & Sandford, 2012, p. 7) but there is a 'stunning lack of good data surrounding costs for palliative care in England' (Hughes-Hallet, et al., 2011, p. 9). It is almost impossible to calculate the total national cost of the end-of-life care, partly because it is hard to define when 'the end' starts. However, the Demos think tank has estimated that end-of-life care is about 20% of NHS spend, or £20bn (The National Council for Palliative Care, 2011). Hospice UK (2017) reports that £868m was spent by the voluntary hospices in 2014-15, around 30% of which is funded from government sources. This excludes the 125,000 volunteers (HospiceUK, 2017). Even before the financial crisis, the End-of-Life Care Strategy acknowledged that funding issues needed to be addressed. For 'too long the NHS had regarded specialist palliative care as an optional extra and that the NHS has relied too heavily upon the goodwill and funding of charities' (Department of Health, 2008, p. 30).

In 2010, a Palliative Care Funding Review was charged with establishing funding mechanisms based on a tariff to ensure fairness across all service providers (HospiceUK, 2017). In the meantime, the UK health care systems have changed from centrally managed payment by results to devolved systems with more emphasis on quality, impact and outcomes, following the Health and Social Care Act in 2012. The Palliative Care Funding Review team has not been able to establish any tariffs for palliative care services but has instead published 'currencies' in early 2017,

based on four phases of palliative care. The intention is that these can be used by clinical commissioning groups (CCGs) in their commissioning of hospice services as a framework or language to create common understandings between themselves and hospices. It is designed not to be a prescriptive funding mechanism set by NHS England but provide an evidenced-based approach for local funding decisions (HospiceUK, 2017).

1.4.4. Other challenges

End-of-life care provision in the UK, including hospices face considerable future challenges, quite apart from funding issues. Hospice UK estimates that 100,000 people currently have an unmet need for expert end-of-life care (HospiceUK, 2017). Demographic changes are increasing the demand for palliative care services. Between 2015 and 2020, there is expected to be a 18% increase of those aged over 85, compared to a general population increase of 3% (Parliament, 2018). The proportion of life spent in ill-health will also increase, with men currently expecting 14.7 years and women 16.9 years of ill-health. The Dilnot Commission on funding of care showed the lack of public awareness of the need to cover the increased costs of demographic change (The National Council for Palliative Care, 2012a, p. 4). While the End-of-Life Care Strategy recognised 'the large and sustained contribution of the voluntary sector to the development of hospices and specialist palliative care service' (Department of Health, 2008, p. 96) , it presents them with a number of issues to consider. Concern is expressed over geographical variation of provision as hospices have grown in an adhoc fashion. For example, 5.9% of deaths occur in hospices in the south-east compared to 2.5% in the north-west of England. There is also an inequitable social and ethnic mix of those who are admitted to hospices (Department of Health, 2008). In 2001, 8% of the UK population was made up of ethnic minorities but only 3% received palliative care (Joy & Sandford, 2012). Provision by hospices has

predominantly been for cancer patients. While 25% of people die from cancer, only 5% of hospice in-patients are suffering from other conditions (Joy & Sandford, 2012). Other terminal conditions, such as circulatory, respiratory or dementia problems have not historically been part of a hospice's remit. Caring for these 'disadvantaged dying' has significant implications as their disease trajectories are often far longer than for cancer.

1.4.5 Hospice performance measurement and management

Hospices, as so many organisations within the voluntary sector, face increasing demands for performance measurement. Hospices value their independence highly as it allows them to make a unique contribution, often at the forefront of innovation, but many hospices are dependent on statutory funding. With this dependence has come increased external demand for performance measurement. 'Measurement of the end-of-life is a key lever for change and is essential if we are to monitor progress. This will require measurement of structure, process and outcomes of care' (Department of Health, 2008, p. 14). Attempts have been made to collect national non-financial data. Since 2008 progress has been made with a national survey of bereaved carers (VOICES), a quality assessment tool (ELQUA) National Council for Palliative Care,2011) and a minimum data set being established by the Dying Matters Coalition (The National Council for Palliative Care, 2012b).

A NPC report (Joy & Sandford, 2012) suggests 3 key outcomes which might contribute to a 'good death': quality of life, place of death and coping skills, for both patient and carer. It analyses the different types of interventions (eg in-patient care, home nursing, day care, carer support) against these outcomes and compares their relative costs (See Table 1.1). It concludes that voluntary donations are essential to the continuation of compassionate care, suggesting funds are best directed at education or

research (Joy & Sandford, 2012). The Commissioning End-of-Life care document recommended that hospices should have a vital role, not only in providing care but also training and developing the wider workforce and providing specialist advice (The National Council for Palliative Care, 2011).

Table 1.1 Palliative care outcomes (Joy & Sandford, 2012, p. 21)

Interventions	Possible outcomes					
	Quality of life in final days	Patient dies in place of choice	Improved coping		Improving sector capacity	Influence on government funding
			patient	carer		
In-patient/home care	✓	✓	✓	✓		
Day care	✓		✓	✓		
Information/welfare/ support			✓	✓		
Carer support	✓	✓	✓	✓		
Piloted initiatives e.g. GSF or LCP	✓	✓	✓	✓	✓	
Education for health care professionals	✓	✓			✓	
Research	indirectly		indirectly		✓	✓
Funding umbrella bodies	indirectly	indirectly	indirectly	indirectly	✓	✓

Examples of indirect benefits would be practice dissemination or grant distribution programmes.

GSF: Gold standard framework; LCP: Liverpool Care Pathway

There is a NPC study into the management of a voluntary hospice: Sue Ryder (McKenzie, et al., 2012). This reports that it is a 'well-managed, progressive charity' (McKenzie, et al., 2012, p. 1) with significant commercialisation of its operations with a new board with 'business-like attitudes' and closer relationships with for–profit organisations, such as care homes as well as a transition of services from the public to the voluntary sector. While most aspects of their operations were rated as 'good' (eg activities, finance, leadership), the reporting of results was merely 'satisfactory' as it needed to develop a measurement capacity. Previously they had collated survey results, records of number of accidents and infections with external inspection reports. However, they are moving

to more extensive reporting of outcomes rather than outputs. Influenced by the government's personalisation agenda, they are developing a 'Living Well' document to assess the quality of an individual's experience of care. This is combined with other data such as evaluations of new services, regulatory reports, and feedback from user groups. It concludes that 'the results culture at Sue Ryder is increasing, albeit from a low base' (McKenzie, et al., 2012, p. 12).

1.5 Research questions

The demand for performance measurement information is therefore increasing both within the voluntary hospices and in the voluntary sector as a whole. This presents many challenges, such as defining their aims in a meaningful way at a time when funding is more difficult to obtain. There are pressures both externally from multiple stakeholders and internally with changing attitudes to performance measurement. This research therefore investigates not only what performance measures are reported but how performance measurement information is used to manage voluntary hospices. This can be broken down into a number of sub-questions:

1) How do voluntary hospices perceive 'good' performance?
2) How can good performance be best delivered?
3) How is performance measured in voluntary hospices?
4) Who and what drives performance measurement information?
5) For what purposes is hospice performance measurement information used?
6) What roles do performance measures play in the management of voluntary hospices?

1.6 Thesis outline

The following chapter **(Chapter 2)** sets out how organisational performance can be managed from the perspective of management control literature. It distinguishes between performance measures, performance measurement systems and performance management. It considers the uses of performance measurement information, including monitoring, decision-making, problem-identification and legitimation identified by Henri (2006). A typology of effective performance management control systems is also derived from the literature. This includes diverse performance measurement, incorporating non-financial as well as purely financial measures. It shows how performance measures need to be aligned to organisational strategy, illustrated by Ferreira and Otley's (2009) PMCS. Performance management theory proposes causal models, integrating all aspects of the organisation, such as the balanced scorecard (BSC). However, reliance on mechanistic control systems alone has been questioned. Alternative theories of control include organic controls (Burns & Stalker, 1994). Ouchi (1979) and Merchant and Van der Stede (2012) have argued that clan and cultural/personnel control complement output, behaviour, results and action controls. These should be included in any comprehensive performance management system with Malmi and Brown (2008) making a case for a 'package of controls'. The merits of two frameworks are considered as guides for the primary research: Ferreira and Otley's (2009) PMCS and Simons' (1995) Levers of Control (LOC). Within this literature, there is little explicit research into the performance management of the voluntary sector. One example of an NGO using the LOC does not capture its defining characteristic of the dynamic tensions between its levers; another focuses on only two of the four levers.

Chapter 3 then compares the typology of management control theory to performance measurement systems within the voluntary sector. It first considers the differences between the private, public and voluntary sectors to see how generic theories might be applicable. It discusses what

constitutes organisational effectiveness in the voluntary sector such as goal attainment, effective use of resources and maintaining its reputation. The uses of performance measurement information including monitoring, problem-identification, decision-making, accountability and legitimacy are discussed in this context. Using the typology set out in Chapter 2, it shows the similarities between voluntary performance measurement systems and generic management control theory. However, it also suggests that the voluntary sector is yet to adopt broader concepts of control as a 'package' within their performance measurement frameworks. Research into charity UK statutory reporting also identifies a gap in research, calling for case studies to understand charity performance and its measurement.

Chapter 4 presents the research design justifying why an inductive approach is an appropriate methodology for researching performance management in the voluntary sector. Given the paucity of research into management control within this sector, an exploratory approach is needed to build theory about how performance is managed within voluntary hospices. This draws upon middle-range thinking – putting 'flesh' onto a 'skeletal' framework (Laughlin, 1995). The research has been undertaken in two phases. First, analysis of 148 voluntary hospice Summary Information Returns (SIRs) and Trustee Annual Reports (TARs) is completed to provide an overview of performance measurement within this sub-sector. Second, case studies of five hospices were undertaken to investigate how performance is managed in practice. This chapter sets out how the cases were selected, how the interview protocol was drawn up and coding undertaken, using Ferreira and Otley's PMCS. Thematic analysis was carried out on both the SIRs and TARs as well as the 25 semi-structured interviews, using NVivo, qualitative data analysis software. Multiple cases, many knowledgeable informants with different perspectives and a wide range of documents such as strategies, management accounts, scorecards and clinical reporting enables nuanced theory-building.

The following four chapters report on the findings of the research. **Chapter 5** assesses performance measurement within the hospice sub-sector by analysing the performance reported by 148 English and Welsh hospices in their statutory returns. This gives insight into the first 3 sub-research questions: what is considered to be good performance, how is it best delivered and what is measured. This appears to support the claims of Connolly and Hyndman (2014;2013a) that performance measurement in voluntary organisations is weak, thus inferring that internal reporting is also likely to be poor. This is combined with the theories of both management control and voluntary sector performance measurement to develop a skeletal framework. In particular, Simons' LOC is used to inform a comprehensive approach to voluntary sector performance management. Five voluntary English hospices are selected to enable the 'flesh' of hospice performance management to be put on the 'skeletal' framework. From this, a new performance management framework can be designed for the voluntary sector.

Chapters 6 and 7 use Ferreira and Otley's (2009) PMCS to understand internal performance measurement within the five case hospices. Chapter 6 seeks to answer four sub-research questions from the differing perspectives of trustees, CEOs and senior managers of the five case hospices. The first two sub-questions (also addressed in chapter 5) asks what they consider to be good performance and how it is best delivered. It also addresses who and what drives performance information and the purposes for which it used. The latter includes whether information is used either to 'prove' good performance to external audiences and/or to 'improve' the internal operations of the voluntary hospices. This reveals difficulties in defining what constitutes good performance and how it is successfully delivered with a lack of clarity over outcomes and outputs.

Using the public sector logic model, **Chapter 7** presents the findings of how the performance of the case hospices is measured (sub-question 3)

through the reporting of inputs, outputs and outcomes. This enables a discussion about how the case hospices measure efficiency and effectiveness, particularly how they attempt to cost their operations. Using criteria from management control literature, the diversity, alignment and integration of hospice performance measurement systems can be assessed. A comparison of the hospices' findings to Ferreira and Otley's (2009) PMCS shows the limitations of the framework in the voluntary sector. As not all aspects of hospice performance are (or arguably, can be) measured, it suggests that other types of control should also be considered for comprehensive performance management, including organic rather than mechanistic controls (Burns & Stalker, 1994) and by employing relational as well as instrumental rationalities (Broadbent & Laughlin, 2009). This research suggests that a new lever of control – judgement – is appropriate as it can incorporate informal as well as formal diagnostic control.

Informed by Simon's (1995) Levers of Control, **Chapter 8** considers how performance is managed, not merely through measures but by means of broader control systems. A holistic approach to voluntary sector control is recommended by considering it as a package. The findings are used to redesign Simon's Levers of Control for use in the voluntary sector. Three new levers are identified: ethos, responsibility and relationships. These are further explored to understand the interactions between them and the contribution they make to hospice performance management. The levers operate in more nuanced ways than envisaged by Simons. It is also suggested that these have implications for the general use of SLOC.

The development of a new framework for hospice performance management is set out in **Chapter 9.** Informed by both Ferreira and Otley's (2009) PMCS and Simon's (1995) Levers of Control, the 'flesh' from the findings from the five case hospices and the hospices' externally reported performance is put on the 'skeletal' framework developed in Chapter 5. This framework is not hierarchical, nor causal; it is comprehensive including

both informal and formal controls; and it explores how its levers interplay and overlap each other. While designed for hospice performance management, it has relevance for voluntary organisations as a sector and has implications for the use of SLOC in all sectors.

Conclusions are drawn in **Chapter 10,** identifying the contributions made by this thesis to knowledge and theory. The new performance management framework is proposed, developed from the empirical findings of the research and informed by the literatures of management control and voluntary sector performance measurement. It explores how the new levers of ethos, responsibility and judgement interact and overlap in the voluntary sector. It identifies how informal controls operate within SLOC generally. It also discusses the limitations of the research and makes suggestions for further investigations.

Chapter 2: Management control theory literature review

2.1 Introduction

This chapter will identify themes in the general literature on management control, enabling a comparison to be drawn with specific voluntary sector performance measurement in chapter 3. It considers the uses of performance measurement information, including monitoring, decision-making, problem-identification and legitimation. It identifies characteristics of effective performance measurement and management, including purely financial measurement, diverse measurement incorporating both financial and non-financial measurements, aligned performance measurement systems which combine organisational strategies with measurement and integrated performance management systems, including causal models. As these can be considered to be mechanistic systems, this chapter will also explore organic control systems, including social and cultural controls, and informal as well as formal controls. These wider controls are part of a comprehensive approach to performance management, whereby different types of control are considered as a package. The chapter then sets out two performance management frameworks which are suitable for this research: Simons' (1995) Levers of Control (LOC) and Ferreira and Otley's (2009) Performance Management and Control System (PMCS). It argues that there is a significant gap in the management control literature as there is very limited use of these frameworks within a voluntary sector context.

2.2 Definitions of performance measurement and management control

The basic language of performance measurement and management is shared by all sectors. Performance measures are the metrics used in any organisation to quantify the efficiency and effectiveness of actions and can include financial, non-financial, internal and external, short or long-term

and ex-post/ex-ante information. Sets of metrics can be incorporated into performance measurement systems (PMSs) which can operate at three levels: individual, system and organisational (Neely, et al., 2005). The term performance management is more than a performance measurement system. 'The move from 'measurement to management is small but important one whereby management action results from performance measurement' (Otley, 2001, p. 249). However, this literature review goes further by seeing performance management as a complex network of formal and informal controls systems operating within organisations. (The term performance management should not be confused with its use within the Human Resource literature which has a specific application in dealing with under-performing employees).

Management control theory has a long research history with most literature looking back to the 1960s as the beginning of 'contemporary' thinking, with the definition of management control offered by Anthony in 1965 being 'old but influential' (Berry, et al., 2005, p. 18):

> *'The process by which managers assure that resources are obtained and used effectively and efficiently in the accomplishment of organizations' objectives' (Anthony, 1965 cited by Berry et al, 2005 p18).*

Anthony's seminal definition reflects three basic themes which are still relevant and fundamental to defining performance management. These themes are 'the establishment of purpose, the pursuit of effectiveness and the struggle for efficiency' (cited by Berry et al., 2005, p.5). Anthony retains the essence of this, but has more recently modified his definition: 'the management control process is the process by which managers at all levels ensure that the people they supervise implement their intended strategies.' (Anthony & Govindarajan, 2004, p. p7) Flamholtz (1983, p. 154) takes a more behavioural view, defining organisational control as 'any action or activities taken to influence the probability that people will

behave in the ways which lead to the attainment of objectives'. Chenhall (2003) plots the evolution of management control systems from formal, financial, quantifiable information to a broader definition including external information (such as on customers, competitors) and incorporating informal personal and social controls. Fundamentally, management control should be delivering enhanced organisational performance, at least indirectly through role clarity and personal empowerment (Hall, 2008) although there is no compelling evidence that economic performance is enhanced as a result (Chenhall, 2003).

2.3 Purposes of performance measurement information

There are a number of typologies setting out the purposes of accounting. Burchell at al. (1980) in their seminal article on the role of accounting in society, identify four machines or uses of accounting information. As an 'answer' machine, accounting information provides information for monitoring performance, and is appropriate where there is low uncertainty in both objective and causality. They suggest that accounting information can also be a 'learning' machine where the objectives are clear but the cause-and-effect uncertain and information can be used to assist decision-making through analysis. Alternatively, accounting information can be used for political ends as an 'ammunition' machine, or to justify and legitimise action retrospectively as a 'rationalization' machine. Henri (2006) identifies four categories by combining the stakeholder perspective of Atkinson et al. (1997) who identify three roles (co-ordination, monitoring and diagnosis) with Simon et al.'s (1954) three categories: scorecard, problem-identification and attention-directing. He summarises this as: 'monitoring' as a diagnostic tool or scorecard (or answer machine); 'attention focusing' where senior management use information to identify problems, (which by signalling what is important to staff, can be considered an ammunition machine); 'strategic decision-making' using performance measurement information to weigh up alternatives (similar to the learning machine) and 'legitimising'

where information can also be used to justify management actions, (as a rationalisation machine). Franco-Santos et al. (2007) identify five categories of roles of performance measurement systems but this is explicitly in a business context: measurement (monitoring and evaluation), strategy management, communication, influence of behaviour (including employee reward) and learning and improvement. Henri's typology is used to address the 5th sub-question in this research (see Chapters 1 and 6.5), as it closely resembles the seminal work of Burchell et al. (1980) but addresses performance measurement rather than accounting information. Franco-Santos et al. (2007) also include communication and influencing behaviour but these can be regarded as how measures are used rather than the underlying purposes of performance measurement information and are implicit in all of Henri's categories.

2.4 Characteristics of effective performance measurement systems

2.4.1 Diverse: financial and non-financial information

Performance measurement historically has been dominated by accounting measures. In particular, management accounting, with budgetary control as the dominant technique, provided 'the centrepiece of many organisational and decision making and control approaches' (Otley, 2016, p. 45). In most of the 20th century, performance was predominantly measured in financial terms and control understood in terms of formal accounting reporting mechanisms. 'Accounting is the attempt to wrest coherence and meaning out of more reality than we ordinarily deal with' (Weick [1979], cited by Berry et al., 2005, p.12). Accounting is a 'convenient language for discussing the impact of a wide range of disparate activities' and is 'one of the few integrative systems capable of summarising the effect of organisational actions in quantitative terms' (Emmanuel, et al., 1990, p. 3). It offers comparable data across organisations and industries, particularly helpful when the private sector goal of maximising shareholder

value is expressed in monetary terms. However, Otley (2005, p. 80) surmises that management accounting had reached a 'high point of accounting' as early as 1965. Johnson and Kaplan (1987) in their seminal book *Relevance Lost* argue that management accounting techniques were failing to adapt to the changing business environment, constrained by the dominance of financial accounting. Core management accounting techniques, such as absorption costing, standard costing, cost-volume-profit analysis had been developed by 1925 and had not changed since then. One key characteristic is the lack of a broad range of key performance measures through which changing business needs could be assessed.

Non-financial measures have therefore been incorporated into performance measurement systems. Franco-Santos et al. (2012) use the inclusion of both financial and nonfinancial measures as the defining criterion of a performance measurement system. Ittner and Larcker (1998) cite case studies carried out by Fisher and Brancato in 1995, identifying reasons why firms began to use a wider range of non-financial measures. Financial measures are considered historic, backward-looking, lacking predictive powers to explain future trends, and reward short term behaviours. They fail to identify root causes of problems as the information comes too late and is too aggregated. They reflect vertical hierarchical structures, not horizontal processes, and are limited in scope, particularly with respect to intangible assets. Experiencing environmental uncertainty, firms need to understand the non-financial value drivers to respond to new competitive pressures. Non-financial measures have since proliferated with the diversity of metrics being seen as an important factor in organisational success (Ittner, et al., 2003), as they incorporate measurement information, from HR, marketing as well as manufacturing (Chenhall & Langfield-Smith, 2007). Performance measurement frameworks such as the Performance Pyramid (Lynch & Cross, 1995), Results and Determinants Framework (Fitzgerald & Moon, 1996) and the Performance Prism (Neely,

et al., 2001) as well as more famously the Balanced Scorecard (BSC) (Kaplan & Norton, 1992; 1996; 2000) have been developed to include a diversity of performance measures.

2.4.2 Aligned: strategic performance measurement systems (SPMSs)

Effective performance measurement depends on more than simply reporting a wide range of financial and non-financial measures. It is argued that the measures should be aligned with the organisation's strategy (Chenhall, 2005; Hall, 2008). Management control systems have been based on hierarchical concepts of control, using information primarily extracted from accounting systems. To achieve its purpose efficiently and effectively, Anthony and Govindarajan (2004, p. 4) argue that 'organisations are led by a hierarchy of managers' with strategic control, at the top of the hierarchy, task control at the bottom and a middle layer concerned with the implementation of strategy. In this context, clear distinctions are drawn between the formulation of strategy and its implementation (Merchant & Van der Stede, 2012; Anthony & Govindarajan, 2004). Management control, positioned between externally focused strategic control and task control, is considered to have an internal focus and is concerned with influencing employees' behaviour ensuring 'that the behaviours and decisions of their employees are consistent with organisations objectives and strategies' (Merchant & Van der Stede, 2012, p. 6). They argue that 'control then is at the back end of the management process' and categorise management control systems as a process, distinct from objectives setting and strategy formulation.

However, Otley (2005, p. 80) disagrees with this separation of strategic formulation and implementation.

> *'Strategic planning cannot be divorced from control for effective control involves changing plans and objectives. Nor can operational*

> *control be kept separate from management control as its technological complexities impinge directly on the control process'.*

His performance management framework of 1999 encourages the interconnections between these processes. It is designed to answer five key questions, considering both the ends (strategies and objectives) and the means to achieve them, (target setting, the role of rewards and information flows), seen in Table 2.1.

Table 2.1: Otley's Key Questions (Otley, (1999), p.365)

What are the key objectives that are central to the organisations' success and how does it go about evaluating its achievement of each of these objectives?
What strategies and plans has the organisation adopted and what are the processes and activities that is has decided will be required for it to successfully implement these? How does it assess and measure the performance of these activities?
What level of performance does the organisation need to achieve in each of these areas defined in the above two questions and how does it go about setting appropriate performance targets for them?
What rewards will managers gain by achieving these targets (or conversely what penalties will they suffer by failing to achieve them)?
What are the information flows (feedback and feed-forward loops) that are necessary to enable the organisation to learn from its experience and to adapt its current behaviour in light of these experiences?

2.4.3 Integrated: performance management

While aligning performance measures to strategy is a first step to managing the performance of an organisation, it falls short of the integrated performance measurement system, envisaged by Kaplan and Norton (1992; 1993; 1996; 2000). Their BSC is the best known Strategic Performance Management System (SPMS) and initially claimed to be an improved performance measurement system (Kaplan & Norton, 1992) (see

figure 2.1). However, Kaplan and Norton (1996) argue that it is 'a new strategic management system.' Four business processes are identified – translating the vision into objectives and measures; communicating the long-term strategy throughout the business; integrating diverse interests into one business plan with unit or personal scorecards; and creating capacity for strategic learning or feedback by means of linking the four perspectives. It has been labelled as one of the most influential management instruments of the 20th century by the Harvard Business Review (De Geuser, et al., 2009). Several surveys attest to its widespread diffusion in the private sector with Neely (2005) citing research that indicates between 30% to 60% of firms have adopted it. Its success is attributed to characteristics such as the identification of key but a limited number of measures and diverse measures grouped in perspectives or clusters (financial, customer, business processes and learning and growth) (Kaplan & Norton, 1992; 1996; 2000).

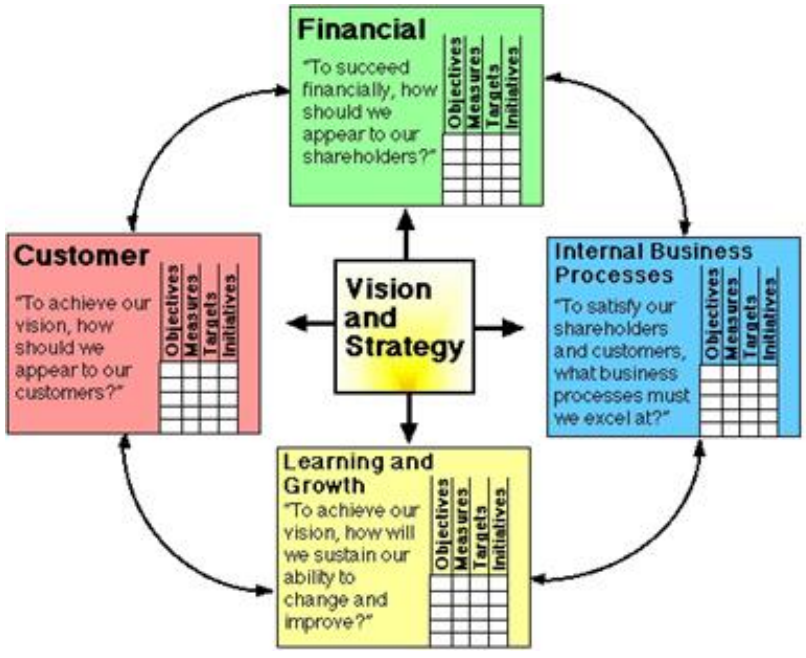


Figure 2.1: The Balanced Scorecard (BSC) (Kaplan & Norton, 1992)

It is, however, the causal linkages of the BSC, described as 'integrativeness' by Chenhall (2005) that are considered one of its most innovative features. 'It is distinct from other strategic measurement systems in that it contains outcome measures and performance drivers of outcomes, linked together in cause-and-effect relationships' (Nørreklit, 2000, p. 67). Kaplan and Norton (2000) develop the concepts of 'strategy maps', causal linkages between the different perspectives. One perspective drives another: learning and growth promotes innovative ideas, which are incorporated into internal business processes that ultimately increase sales to customers and deliver financial prosperity. Although different typologies have been developed to analyse the different evolutionary stages of the BSC, these identify causality as an advanced feature. Speckbacher et al. (2003) identify the first stage as 'describing strategy' including financial and non-financial measures, and a second stage including cause-and-effect relationships. Lawrie and Cobbold (2004) claim the BSC was 'initially a rather vague concept' lacking clear definition and facing 'severe design challenges'. Their second generation BSC also introduces ideas of causality. The BSC is not without its critics (De Geuser, et al., 2009; Cokins, 2010; Malina & Selto, 2001; Sundin, et al., 2010) and the effectiveness of its causality has been questioned. Although it has been credited with improving performance in the private sector (Hoque & James, 2000; Davis & Albright, 2004; Crabtree & DeBusk, 2008; Braam & Nijssen, 2004), it is criticised for its lack of detail regarding implementation, such as setting targets, resource allocations and rewards systems (Otley, 2001). While ostensibly objective, its actual use has been found to be highly subjective with different weightings being given to the four dimensions (Ittner, et al., 2003) and dependent on its presentation (Lipe & Salterio, 2002; Cardinaels & van Veen-Dirks, 2010). It has also come under academic criticism from both theoretical and empirical perspectives. Nørreklit (2000, p. 76) has challenged the theoretical nature of the linkages, concluding that 'the causality claimed to hold between the perspectives is problematic.' Without a tight time-frame, causality becomes meaningless. 'The time lag

and complexities between drivers and outcomes obscure the relationship between operations and end performance i.e. exactly the relationship upon whose clarity the BSC depends' (Nørreklit & Mitchell, 2007, p. 183). Nørreklit (2003) argues that the apparent success of the BSC may be attributed to the 'ethos' (or the marketing abilities of its Harvard authors) and 'pathos' (using the language of consultants) and not its 'logos' or theoretical foundation. Ittner and Larcker (2003) question the empirical evidence of the causality being put into practice effectively. Few companies have realised the benefit from using non-financial measures through failure to identify, analyse and act on the right information. Measures are not linked to strategy, causal links are not validated, wrong targets are set or measured incorrectly. However, where causal modelling is carried out, they found significant economic improvements.

Chenhall (2003) argues it may not be the BSC per se which creates competitive advantage through organisational learning. He found organisations without the BSC achieving high levels of integrativeness and some using the BSC but without integrating the financial and non-financial information within it. He examines the links between strategy and various elements of the value chain, not merely internally to manufacturing operations but externally to customer and suppliers. He argues that the integration as well as the diversity of performance measures contributes to organisational learning. Hall (2008) concludes that comprehensive performance measurement systems (i.e. those that are diverse and integrated) had an indirect effect on managerial performance through goal clarity and psychological empowerment (i.e. cognition and motivation). It is therefore the integrated and comprehensive characteristic of an SPMS that is a significant factor in effective performance management.

2.5 Comprehensive management control

Performance management therefore would seem to be the effective use of performance measurement systems, such as the

management processes defined by Kaplan and Norton, including the translation of objectives into measures, communication and organisational learning through feedback. However, there are broader definitions of management control within the literature. Burns and Stalker (1994) draw distinctions between organic and mechanistic controls. Ouchi (1979) contrasts output and behaviour controls found in mechanistic structures with clan controls, more typical of organic organisations. Merchant and Van der Stede (2012) argue that personnel and cultural control can be more effective than results and action controls. Daft and Macintosh (1984) consider how informal controls complement formal ones. Malmi and Brown (2008) therefore invite us to consider management control as a 'package,' including cultural controls as well as performance measurement systems.

2.5.1 Mechanistic and organic; formal and informal controls

Mechanistic control systems play a fundamental role within performance management, not simply by reporting achievements but also as a means for managing performance through organisational learning.. In management control theory, four key conditions are identified, described as 'contractability' by Speklé and Verbeeten (2014): there must be a clear aim or purpose; whose outputs must be measurable; the measures need to be predictive, showing the cause-and-effect relationship; and corrective action must be able to follow (Emmanuel, et al., 1990, p. 8). More sophisticated models allow for second-order controls, not merely changing first-order inputs if desired results are not achieved, but include a review of objectives themselves (Berry, et al., 2005, p. 10). Models are adapted to allow for feed-forward 'double loop', or anticipatory measures as well as 'single loop' feedback. By bringing coherence and systematic thinking to complex situations, they have provided much of the implicit logic of contemporary performance measurement systems in the private sector. Specifically, the first descriptions of BSC, developed by Kaplan and Norton in 1992, used the mechanistic picture of the dials of an airplane cockpit.

They employed scientific metaphors and concepts, particularly about cause-and-effect, arguably to gain authenticity (Nørreklit, 2003).

This mechanistic view of performance measurement is considered to have serious limitations. Burns and Stalker (1994) in their seminal study of the electronics industries of Scotland and England in the 1960s set out two ideal types of organisation: mechanistic and organic (see Table 2.2). In trying to understand the most conducive environment for innovation at a time of fast technological development, they argue that an organic organisation is more appropriate than a mechanistic one. The latter, suitable for stable environments, is characterised by a hierarchical structure with precisely defined roles. In contrast, an organic organisation is most suitable for an unstable environment and most likely to promote innovation. Staff have loosely defined roles, determined by their knowledge of common task. There is commitment to the whole organisation with lateral communications.

Table 2.2 Mechanistic and Organic controls adapted from Burns and Stalker (1994)

	Mechanistic	**Organic**
Environment	Stable	Uncertain
Structure	Hierarchical authority	Network
Roles	Specialised, functional	Contributive
Tasks	Technical, defined	Knowledge-based
Overseen by	Manager oversees sum of parts	Continual redefinition of tasks
Authority	Rights, obligations	Responsibility
Interaction	Superior subordinate	Lateral, network
Motivation	Loyalty obedience	Commitment
Flow of information	Instruction	Consultation

Through their observations and conversations, Burns and Stalker (1994) conclude that an informal organisation operates alongside the formal one. They define the formal organisation as rationally-ordered with clear goals. In their view, an informal organisation is one made up of individuals having private motivations and political purposes which are not necessarily working for the same ends as the organisation as a whole. They look to the CEO to provide leadership which can combine the formal and informal 'in a complex social process' (p.104) dependent on the strength of self-interest as well as external change. Researchers argue that informal and formal approaches are complementary (Daft and Mackintosh (1984) and the creative tension between them enhances control (Chenhall and Morris,1995). Chenhall et al. (2011), in their research into Russian profit-making organisations add social networking to the definition of informal control. Interestingly they find that large organisations are associated with organic control, contradicting others who associate small organisations with informal controls (Arjaliès & Mundy, 2013).

2.5.2 Output and results; behaviour and action controls

Ouchi (1978) describes two kinds of control operating within mechanistic organisations. He contrasts output and behavioural controls, both used by hierarchical, bureaucratic organisations. Where the work is predictable and the products are homogenous, control can be exercised by assessing the outputs. Where the task is unpredictable, he advocated performance being judged by behaviours. His work was used by Merchant and Van der Stede (2012, p. 9) who argue that 'management controls are necessary to guard against the possibilities that people will do something that the organisation does not want them to or fail to do something they should do.' They identify three major sources of control problems: lack of clear direction, motivation and personal limitations. This contrasts with the

features of a good management control system: cost-effective, objectives-driven and future-orientated. Results control is linked to performance measurement whereby rewards are based on achievement of previously determined levels of success; ie: Ouchi's output control. All of the conditions previously defined are needed: knowledge of desired results, ability to control and measure effectively with precision, and objectivity. Results must be timely, understandable and cost-effective. They argue that it is most suitable in decentralised organisations, where objectives can be clearly aligned to overall organisational goals. Unintended consequences of poorly defined measures are well documented with the frequently cited phrase: 'what you measure is what you get.'

Merchant and Van der Stede (2012) extend Ouchi's behaviour controls to describe how action controls can ensure that employees act in the best interest of the organisation where tasks are not standard and ambiguous. They advocate four methods: behavioural constraints (such as expenditure approvals), pre-action reviews (such as agreeing budgets), action accountability (such as procedures, policies) and redundancy (Merchant & Van der Stede, 2012). Of these, pre-action reviews and action accountability are best suited to minimise the three major problems of management control, and are effective at prevention rather than detection after problems arise. However, they require confidence in knowing how certain actions will result in the achievement of organisational goals and the ability to ensure those actions are taken.

2.5.3 Clan, personnel and cultural control

Rather than using the term organic (Burns & Stalker, 1994), Ouchi describes controls based on shared values, traditions and ways of behaving as clan control. Merchant and Van der Stede (2012, p. 217) divide this into two further control types: personnel and cultural. They suggest that personnel controls, built on the intrinsic motivation and loyalty of

employees, can be influenced through recruitment and training and is based on self-monitoring. Cultural control encourages mutual monitoring through shared beliefs. Merchant and Van der Stede (2012, p. 94) argue that 'taken together, personnel and cultural controls are capable of addressing all of the control problems.' These controls are not measurable, but are unobtrusive, incur lower costs and have fewer harmful side effects. Chenhall (2003) puts these various types of control into Burns and Stalker's typology, showing how they typically fit with different control systems (see Table 2.3).

Table 2.3 Examples of Control Systems adapted from Chenhall (2003, p.133)

Control Systems	More Mechanistic	More Organic
Control (Ouchi)	Behaviour, output	Clan
Control (Merchant)	Results, action	Personnel, cultural
Management Control System	Narrow	Broad, flexible, integrative
Budgetary control	Constrained	Participative, flexible
Accounting control	High reliance	Low reliance
Strategic control (Simons)	Diagnostic	Interactive
Costing	Standard costing	Competitor focused

2.5.4 Management control as a package

In the private sector, there are debates around 'the importance of order and control versus innovation and change' (Henri, 2006, p. 78). Indeed, the need for control itself has been challenged, reflecting assessments of the changing business climate. Welch, as CEO of G.E. is quoted in 1993 saying: 'The old order was built on control, but the world

has changed. The world is moving at such a pace that control itself has become a limitation. It slows you down. You've got to balance freedom with some control but you've got to have more freedom than you have ever dreamed of' (Nixon & Burns, 2005). Organisations have responded to environmental change (such as technology, global competitiveness, deregulation and the development of the internet) by having less hierarchical structures and more cross-functional teams (Otley, 2016). Even the core management accounting tool of budgeting has been criticised for inhibiting innovation with Hope and Fraser (2003) arguing that budgeting is no longer appropriate in the information age where command and control models are being replaced with participative, networking structures. In this context, a much broader definition of management control has emerged. Old, hierarchical views, including predictability, stability, rigidity, conformity and formality are being replaced with alternative organisational values: flexibility incorporating spontaneity, change, openness, adaptability and responsiveness (Henri, 2006).

Flamholtz (1983) had earlier incorporated such ideas within one broad concept of management control. With core control systems (such as budgets) at the centre, he adds two concentric circles surrounding this for organisational structures (such as rules and procedures) and organisational culture. More recent debate distinguishes between management control 'packages' and 'systems', whereby the former is loosely coupled with a collection of controls that coexist rather than being interdependent and designed (Bedford, et al., 2016).The same result can be achieved by different combinations of controls, called 'equafinity' (Sandelin, 2008). Arguing that management control research needs a more comprehensive approach, Malmi and Brown (2008, p. 287) have developed a typology for management control as a 'package' incorporating three layers (see figure 2.2). Cultural controls are pictured at the top 'to indicate they are broad yet subtle controls' such as Ouchi's (1979) clan controls. These are used by mangers to 'ensure that the behaviour of employees or some other

relevant party, such as a collaborating organisation is consistent with the organisations objectives and strategy' (Malmi & Brown, 2008, p. 295). They identify three types of cultural control: clan, values and symbols. The middle layer is made up of planning, cybernetic controls, and reward and compensation systems. Planning includes action and long-range range planning which they consider are separate from a financial results controls system. Cybernetic systems include budgets, financial, non-financial and hybrid systems (such as the BSC). They add a third bottom layer, including internal governance, operational structures and policies and procedures. While not overtly considered within their typology, they do suggest that controls can reach beyond the immediate organisation, such as cultural controls applying to collaborative organisations. As part of their themes for further research, they broaden the concept of performance from maximising shareholder wealth 'to satisfy a broader set of stakeholders such as environment and social stakeholders' (Malmi & Brown, 2008, p. 297).

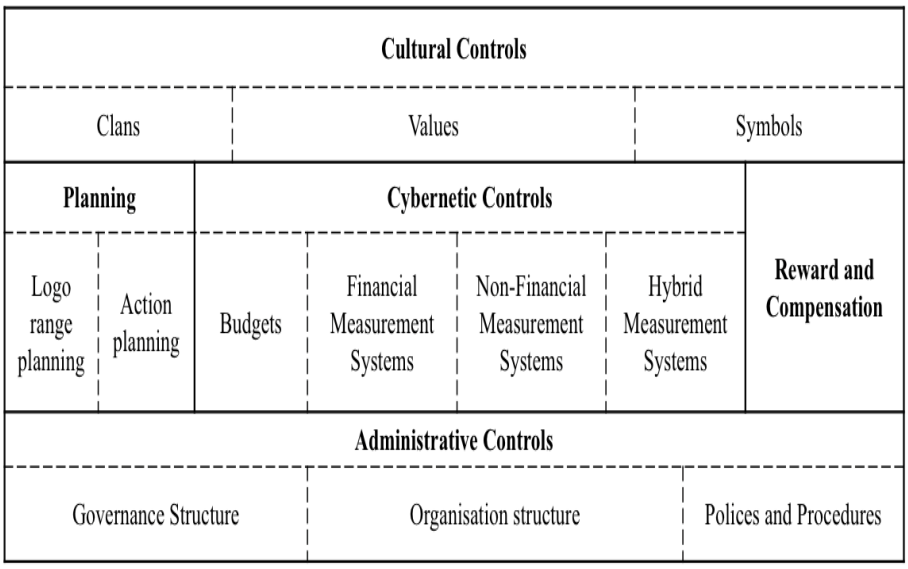


Figure 2.2: Management control as a package (Malmi & Brown, 2008)

2.6 Possible research frameworks

This literature review draws distinctions between performance measures, such as financial and non-financial indicators and performance measurement systems which align strategies, objectives and measures. Integrated performance measurement systems incorporate causality by linking performance measures. Performance management is a series of processes which communicate strategies and use feedback for organisational learning. To be comprehensive, they should include organic and informal controls, acknowledging the role of culture and values, as well as governance structures to complete the package of effective control. Two frameworks include such attributes: Simons' (1995) Levers of Control (LOC) and Ferreira and Otley's (2009) Performance Management and Control System. Both are considered here as possible frameworks for research into performance management within the voluntary sector.

2.7 Simons' Levers of Control (LOC)

Responding to the changing business environment, Simons (1995, p.3) designed a 'Levers of Control' framework, claiming to provide 'a new comprehensive theory for controlling business strategy.' He proposed the following definition of management control systems: 'formal, information-based routines and procedures managers use to maintain or alter patterns in organisational activities' (Simons, 1995, p. 5) (see figure 2.3). Arguably this was not radically different to the earlier definitions of management control; his intention was to address deficiencies in management focus, calling for more attention on the implementation and control of corporate strategy rather than the design of the strategy itself. However, he also challenges traditional concepts of management control, contrasting the top-down strategies imposed by managers with a new flexible approach, incorporating the empowerment and continual innovation of employees. Central to Simons' framework is the balancing of dynamic tensions

between the old hierarchical and the new flexible values. He argues (1995, p.4) that 'inherent tensions must be controlled, tensions between freedom and constraint, between empowerment and accountability, between top down direction and bottom up creativity, between experimentation and efficiency.' Emergent strategies should be combined with intended strategies. He acknowledges the complexities of employee motivations, suggesting that their desire to do what is right, to achieve and to create should be balanced with the need to set boundaries on their behaviour. A management control system should be 'capable of reconciling tensions between individual self-interest and innate desires to contribute' (p.29). Companies must work 'to unlock the potential for opportunity seeking' (p.30) while ensuring managers give their attention to achieving organisational goals. He identifies four strategic variables which each need to be controlled: core values; risks to be avoided; critical performance variables; and strategic uncertainty. Each variable needs to be controlled by a lever: belief; boundary; diagnostic; and interactive. Thus, focus moves away from purely diagnostic measurement systems to a more comprehensive set of management tools.

Simons (1995) describes the levers in terms of positive and negative forces, citing the 'yang' and 'yin' in Chinese philosophy. Belief and interactive controls act together as 'yang', or positive influences, described as forces of sunlight and warmth (p.57). Boundary and diagnostic controls are described as the 'yin', or negative influences, forces of darkness and cold. 'Their collective power lies in the tension generated by each lever' (Simons, 1995, p. 5). This has been challenged by Tessier and Otley (2012) who suggest that the term positive and negative have connotations of being good and bad, rather than just acting in different ways. They advocate the use of the terms enabling and constraining – used by Mundy (2010) and Chenhall et al. (2010). Performance measurement systems are therefore one part of a more complex network of controls.

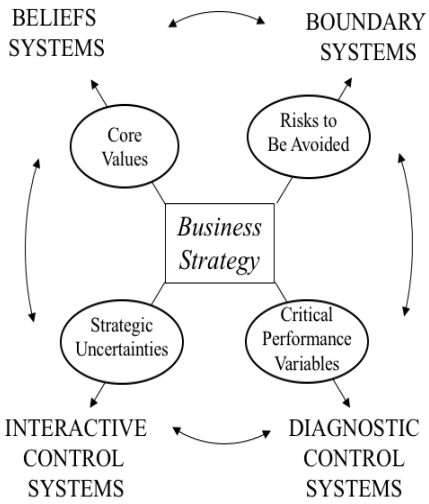


Figure 2.3: Simons' Levers of Control (Simons, 1995)

2.7.1 First lever of control: belief or 'core values'

Simons (1995 p.34) described his first lever of control as an 'explicit set of organisational definitions that senior management communicate formally and reinforce systematically to provide basic values, purpose and direction of the organisation'. He argues that it is communicated by documented credos, mission statements and statements of purpose. They can be considered part of a system 'when they are 1) formal; 2) information- based; 3) used by managers to maintain or alter patterns in organizational activities' (Simons, 1995 p.36). They should be value-laden, inspirational and broad enough to include all organisational practices but are too vague for a platform from which to determine performance measures (Simons, 1995, p.38). Written from a private sector perspective, they are designed to 'motivate employees to find new ways of creating value' and 'to inspire and guide organizational search and discovery' (Simons, 1995, p.36). The mission statement, according to Simons, documents formal belief systems, asserting the uniqueness and prestige of the organisation and allows the use of documents as symbols of what the organisation represents (Simons, 1995, p.37). Evans and Tucker (2015)

warn of the danger of decoupling; where a formal mission statement is being used for window-dressing while a different set of values can be operating in practice, thus threatening the coherence of the control system.

2.7.2 Second Lever of Control: boundary or 'risks to be avoided'

Belief controls, according to Simons, work in tandem with boundary controls, setting limits of acceptable behaviours through codes and rules. He defines these as systems which 'delineate the acceptable domain of activity for organisational participants' which 'establish limits, based on defined business risks to opportunity seeking' (Simons, 1995 p.39). These are often *ex-ante*, determining proscriptions ahead of action and 'stated in negative terms or set as minimum standards' (Simons, 1995, p.40). Simons suggests that there are two types of boundary control. First, business conduct defines acceptable behaviours and business strategy which limits opportunistic activities. He gives examples of codes of behaviour derived from society's laws, organisational belief systems and professional codes of conduct. Second, strategic boundaries are set through the strategic planning processes, defining acceptable areas of business opportunity and capital expenditure. He envisages boundaries being appropriate where external strategic uncertainty is high and internal trust is low, giving examples of banks and commodity traders. Thus, two of Simons' constructs - values and risks to be avoided – are balanced by employing belief and boundary levers of control.

2.7.3 Third Lever of Control: diagnostic or 'critical performance variables'

Simons (1995, p. 59) describes diagnostic controls as the 'feedback systems which are the backbone of traditional management control.' They 'monitor organisational outcomes and correct deviations from pre-set standards of performance' (Simons, 1995, p.59). Controlling intended strategies, they

report *ex-post* against predicted goal achievement or critical performance variables. Simons (1995, p.59) sets out three conditions for the effective use of diagnostic systems: the ability to measure outputs; the existence of pre-determined standards; and the ability to correct deviations. These are similar to the four conditions defined by Emmanuel et al. (1990, p. 8). Simons associates them with the output/results controls of Ouchi (1979) and Merchant and Van der Stede (2012), suggesting that profit plans and budgets are the most pervasive example in businesses (p.61). Diagnostic control depends on the identification of critical performance variables that can be measured, arguing that they should be objective, complete and capable of being influenced by individuals. He suggests that this is not appropriate for nebulous concepts such as success (p.72) and offers alternatives including the control of inputs (giving the example of ensuring the quality of a diamond before cutting).

2.7.4 Fourth Lever of Control: interactive or 'dealing with strategic uncertainty'

Simons' (1995, p.95) definition of his fourth, interactive lever of control system is the 'formal information systems managers use to involve themselves regularly and personally in the decision activities of subordinates'. He explains that 'interactive control systems focus attention and force dialogue throughout the organisation' (Simons, 1995, p.96). He envisages this as face-to-face meetings between senior managers and their subordinates. Just as belief and boundary levers work in tandem, interactive and diagnostic controls are complementary, balancing strategic uncertainty with critical performance variables. He sets these senior managers in a specific context: highly competitive commercial environments where managers face strategic uncertainty. He suggests that there are four defining characteristics and it is specifically linked to data generated by formal information systems, such as project management,

profit planning or brand revenue management systems. These characteristics are information 1) being used by the highest levels of the management; 2) given frequent and regular attention by operating managers; 3) being discussed in face-to-face meetings; 4) being a catalyst for challenge and debate. Simons envisages 'an army of people' analysing data, such as national marketing trends or technological developments, to ask the fundamental questions about where the business should be heading and thus develop a bottom-up or emergent strategy. This is in contrast to diagnostic systems which analyse performance against an intended strategy and answer (rather than ask) questions about critical success factors. 'Through dialogue debate and learning that surround the interactive process, new strategies emerge' (Simons, 1995, p.102). He envisages diagnostic systems as 'constraining innovation and opportunity–seeking to ensure predictable goal achievement' (p.91). He therefore argues that other control systems, notably interactive controls systems, must stimulate search and learning, designed specifically to identify new strategies.

2.7.5 Suitability of Simons' Levers of Control framework

Simons' Levers of Control (1995) has been described as a 'conceptual framework' (Tuomela, 2005; Kominis & Dudau, 2012; Martyn, et al., 2016) and has been cited in both qualitative and quantitative research over the past twenty-five years. Recent analysis has shown that its popularity is increasing although it is predominantly used in qualitative research, particularly case studies, to understand how the 'strategic management tool' operates in practice (Martyn, et al., 2016). Simons specifies his levers in detail with the explicit characteristics of formal information systems. His purpose is to address the needs of business to control and implement their corporate strategy, enabling them to compete effectively. This involves top managers balancing his four strategic variables of core values, strategic uncertainties, risks to be avoided and critical performance variables. Should Simons' framework be used as he describes

it, there would be some significant limitations in its applicability to voluntary sector. Developed in a business context, the language used is competitive and it assumes the profit motivation of employees. It is designed to reveal how strategy is implemented by senior managers, excluding operational management by other staff. It relies on formal information systems, without incorporating informal controls. Subsequent research however has sought to overcome these limitations by applying the framework in different sectors, at various levels of management and with wider interpretations of control.

2.7.6 Defining characteristic of SLOC: inter-dependency of all four levers

The inter-dependency of the four levers and creation of dynamic tension between them is the fundamental characteristic of Simons' framework. Central to his argument is that his four levers of control are 'nested'; 'they work simultaneously but for different purposes. Their collective power lies in the tension generated by each lever' (1995, p. 5). This view is supported by Martyn et al. (2016, p. 283) who argue that 'each of these variables is highly interdependent and thus must be considered together or an incomplete analysis of the issues will emerge.' This theme is echoed throughout much of the research applying his framework. Tuomela (2005, p. 297) observes all four levers working simultaneously in the BSC, stating that 'a core idea in this strategic framework is that it balances needs for innovation and constraints'. Bruining et al. (2004) observe the balancing of two opposing forces in management buy-outs: one to stimulate the creativity and innovation of employees and the other to take corrective actions and minimise surprises. Their 'cases emphasise the importance of adopting a comprehensive control system rather than examining isolated control mechanisms' (p.156). Mundy's (2010) central argument is the balancing of dynamic tensions within management control systems with the 'enabling' belief and interactive levers controls opposing the

'constraining' boundary and diagnostic levers. With Arjaliès (2013, p. 287) she writes 'that the full potential of the four levers of control is realised when they are mobilised together'. Plesner Rossing (2013) employs a case study on transfer pricing policy to illustrate how all four types of control were used to create positive and negative forces in the implementation of a new compliance tax strategy.

Martyn et al. (2016) have identified 45 articles where the LOC framework has been applied in Grade 3 and 4 accounting, strategic and general management journals. They include articles where one or more levers of control was studied, distinguishing between those who use the framework to inform design as well as interpret the results. However, of 31 qualitative studies, only 11 considered all four levers in their research and, in their judgment, only 8 of these used the framework to both inform the design and interpret results. Of these, no prior research has explored how all four levers operating in this way in the voluntary sector. Given the importance of the dynamic tension between the levers with Simons' LOC and the lack of voluntary sector literature considering this, there is clearly an opportunity for research into how this operates within the voluntary sector. The one study of an NGO citing all four levers of Simons' (1995) LOC (Chenhall, et al., 2010) focuses on how it can contribute to the concept of social capital rather than how the levers operate together.

2.7.7 SLOC: extended application into different contexts

Simons (1995) derived his framework from observations in private sector organisations and his purpose is to enhance understanding of the implementation and control of corporate strategy. His primary concern is for achieving competitive advantage with the language of business used throughout his book. Most of the qualitative studies identified by Martyn et al. (2016) are in the private sector: Arjaliès and Mundy (2013) surveyed large French listed companies; Plesner Rossing (2013) studied an European

multinational high-technology manufacturer; Frow et al. (2010) carried out a case study of a large global technology company; Mundy (2010) compares two divisions of a financial services business; Tuomela (2005) investigates a subsidiary of a Finnish power company; Bruining et al. (2004) contrast two management buy-outs; Marginson (2002) analyses a large UK telecommunications company. However, Simons' LOC has been successfully applied in non-private sector contexts. Martyn et al. (2016) find 25% of studies including quantitative research are in the public sector. Yet, they only identify two qualitative studies referring to voluntary sector organisations (Kominis & Dudau, 2012; Chenhall, et al., 2010). This suggests not only that qualitative research into the voluntary sector would be compatible with Simons' framework, but also that the application of the LOC in the voluntary sector has been under-researched. While his terminology concerns the private sector, in his discussion of employee motivation, Simons (1995, p.26) recognises divergent assumptions about human behaviour. Indeed, he argues that attempts to limit self-interest must be balanced against a desire to do right, recognising that 'worthwhile causes can create forces that influence the direction of opportunity seeking'.

2.7.8 SLOC: extended to operational management

Much research concentrates on corporate strategic control as Simons intends (eg Marginson, 2002; Bruining et al., 2004; Tuomela, 2005; Mundy, 2010). However, this has been extended to include how these controls can be employed at an operational level. There is research into specific corporate issues such as the tax strategy relating to transfer pricing policy, described as 'functional' strategy by Plesner Rossing (2013). Arjaliès and Mundy (2013) studied the emergent and intended strategies relating to corporate strategic responsibility. Others have used the framework to understand controls operating within the context of one particular control

system, such as budgets (Frow, et al., 2010) and performance measurement systems (Tuomela, 2005). However, the use of the framework has not been confined to strategic or accounting control. Bruining et al. (2004, p. 169) argue that it can be applied beyond traditional management accounting systems to quality control throughout the organisation. Simons (1995) describes his control systems as formal systems used by senior managers. Much research takes a senior management perspective but others have looked at the role of middle managers. For example, Marginson (2002) has a middle management focus in his study of a telecommunications multinational, observing administrative control across different levels of the company. Mundy (2010) argues that control systems straddle senior and middle management. Frow et al. (2010) ask who is using particular control systems, studying the operation of control systems at all levels. Tessier and Otley (2012) in their theoretical analysis argue that operational control should be distinguished from strategic control.

2.7.9 SLOC: extended to external stakeholders

More recent research has not limited control to internal managers but included external stakeholders. Arjaliès and Mundy (2013) describe the interactive processes with NGOs, investors and local communities in the determination of Corporate Social Responsibility (CSR) strategies. Chenhall at al. (2010) consider the collaboration between an NGO and other agencies in the welfare service provision, as building social capital through structural 'bridging' networks. Kominis and Dudau (2012) see the change from diagnostic to interactive relationships in networks between a local authority and private and voluntary sector partners, following new legislative arrangements of child safeguarding. Plesner Rossing (2013) shows how informal inter-organisational networks share best tax practice. Therefore it is reasonable to conclude that, while Simons' own research

was limited to corporate strategy formulated by senior managers, his framework can be applied more widely.

2.7.10 SLOC: extended to informal control systems

Simons (1995) describes each of his levers of control as formal, information systems. Diagnostic systems consist of the formal reporting of performance measures, boundary systems include formal strategic plans and codes of conduct, mission statements provide formal belief systems and interactive control is exercised through formal meetings. Tessier and Otley (2012), in their theoretical paper, distinguish between two types of control – technical and social. Arguably, Simons has not included social controls as he is only concerned with the formal systems. This narrow interpretation of control has been challenged. Collier (2005) criticises Simons' definition of belief controls for being too restricted, excluding wider cultural influences. He argues that group norms, socialisation and culture are, to some extent at least, implicit in belief systems. 'A criticism of Simons and Ferreira and Otley is that they pay too little attention to belief systems, or more precisely too socio-ideological (Ditillo, 2004) forms of control' (Collier, 2005, p. 336). Much of the lever of control research refers to informal control while acknowledging that this needs to be studied further (Tuomela, 2005; Mundy, 2010). Arjaliès and Mundy (2013, p. 298) recognise this as a limitation in their research as they had excluded informal processes, arguing that 'a fruitful avenue of research would therefore be to consider the relation between the use of formal and informal controls in CSR strategy'. Marginson (2002) recognises that informal interaction contributes to the development of emergent strategy but admits it was not intentionally investigated. Bruining at al. (2004) comment on the process of formalisation as management buy-outs develop formal reporting processes without addressing the relationships between formal and informal controls explicitly. Arjaliès and Mundy (2013)

suggest that the size of organisation impacts on the degree of formality of control systems. Kominis and Dudau (2012, p. 153) contrast managerial and non-managerial control. The latter is identified as the cooperation and dialogue between inter-organisation partners; an area they identifying as needing more research. Consequently, informal control has been identified as a potential area for further research by Martyn et al. (2016, p. 294): 'Further consideration of the usefulness of Simons' framework to examine informal controls should prove useful in further research'.

2.7.11 SLOC: Existence and use of control levers

Simons (1995 p.3) explicitly declares his intention to show senior managers '*how* to implement and control their strategies.' He states that his framework should enable the balancing of tensions, 'not only in the technical design of these systems but, more important, in an understanding of how effective managers use the systems' (p.5). He demonstrates how each of the four levers is designed to achieve a different objective (p.7). Belief systems are *used* to inspire direct search for new opportunities; boundary systems are *used* to set limits on opportunity seeking; diagnostic systems are *used* to motivat, monitor, reward achievement; and interactive systems are *used* to stimulate organisational learning and the emergence of new ideas and strategies. This emphasis on the use, rather than existence, of information is a significant contribution of the lever of control framework. Research shows how management control systems can be *used* in different ways, rather than just adopting Simons' terminology to describe the controls they observe. Citing Simons (1995), Marginson (2002) uses a case study of a large telecommunication firm to show how management control systems can be used interactively or diagnostically. Diagnostic systems provide feedback or single-loop learning whereas they can be used interactively to provide double-loop learning, a theme cited in the literature (Henri, 2006; Tuomela, 2005). For

example, Frow et al. (2010) study the diagnostic and interactive use of budgetary control. Budgetary information can be used to monitor operational performance diagnostically or to make decisions through discussions with their managers interactively. Tuomela (2005, p. 298) suggests 'that performance measurement systems are connected to all the four levers of strategic control'. He gives the example of performance measures which can be used diagnostically like traffic lights. Alternatively, they can be used interactively with double-loop learning, informing emerging strategies. He concludes by saying that his study is about the role of SPMSs in the respect of the interplay between different control levers. He primarily analyses the diagnostic and interactive use of controls but acknowledges there are implications for belief and boundary control (such as using performance measurement systems to strength or weaken beliefs and strategic boundaries). While some distinguish between interactive and diagnostic use of management control systems, others contrast the enabling and constraining functions of the different levers (Mundy, 2010). Chenhall et al. (2010) cite Adler and Borys (1996) whose forms of bureaucracy included enabling and coercive controls. Tessier and Otley (2012), in disputing the negative 'yin' and positive 'yang' portrayal of different controls, draw the distinction between performance and compliance (see Chapter 2).

Simons' LOC is criticised for its ambiguity. Ferreira and Otley (2009) suggest there is a lack of clarity, particularly in application of interactive controls. Tessier and Otley (2012, p. 178) argue that diagnostic and interactive controls should only be considered as a description of how controls are used, not as control systems in their own right. This literature review suggests that there is still confusion over what a control is and how it is used. Some light is shed within Simons' (1995, p.180) own diagram in an appendix (see Figure 2.4).

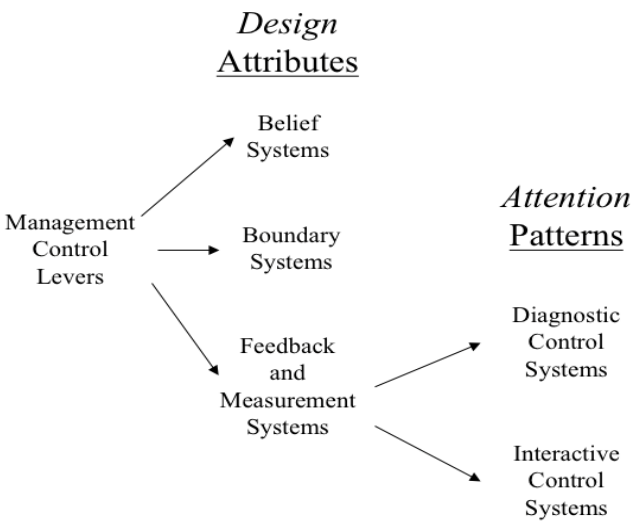


Figure 2.4 Distinguishing features of LOC (Simons, 1995)

He implies that there are types of control such as belief and boundary which he describes as 'design attributes'. There are also ways in which controls are used, described as 'attention patterns' and made up of diagnostic and interactive control. However, his diagram also shows that 'diagnostic' can be interpreted in two ways - either as measurement system or as diagnostic use. Arjaliès and Mundy (2013, p. 287) describe diagnostic controls as making 'tangible and visible the activities of employees'. There are clearly diagnostic systems, such as SPMSs, as well as the way in which they are used. This research therefore considers that there are diagnostic systems as well as diagnostic use. This is in contrast to the interactive use of different management control systems.

2.8 Otley and Ferreira's Performance Management and Control system (PMCS)

A second possible framework is set out by Ferreira and Otley (2009) whose PMCS provides structure for research. This is described, not as a normative framework, but a heuristic tool to help researchers describe and structure their findings. The framework 'suggests a number of issues to be considered in designing and operating a control system rather than adopting prescriptive approaches based on an ideal model' (p.266). Stringer (2007) cites the benefits of the 1999 Otley model in its breadth and depth with its unambiguous questions but also criticises it for being too prescriptive, rational and linear. The updated framework of 2009 therefore addresses some of the weaknesses of Otley's (1999) initial framework. While objectives were clearly part of his original questions, the updated framework explicitly incorporates processes to convey the mission of organisations to its employees. The 2009 framework attempts to incorporate the broad concept of control in Malmi and Brown's (2008) typology; rather than asking merely what systems exist, it asks how managers *use* the systems to manage performance. Ferreira and Otley (2009) acknowledge that the first model was seen to be static rather than dynamic and could more explicitly note the interconnections between the different parts. They set out to provide an 'extended framework to provide a broad view of key aspects of SPMSs and to form the basis upon which further investigations can be developed' (p.266).

The focus of Ferreira and Otley's (2009) framework is still the alignment of performance measures with organisational objectives, reflected in the core questions 1-8. Of these, question 5 concerns performance measurement explicitly and the majority of the others questions are closely linked. Without measures, targets cannot be set (question 6), performance evaluated (question 7) or rewards typically given (question 8). Key performance measures link these questions to 3 of the first 4 questions as they are 'used to evaluate success in achieving their

objectives, key success factors, strategies and plans' (questions 2 and 4) (p.271). However, Otley argues that 'a performance measurement system has to be concerned with measures of outcomes or results and *the means by* which such results are achieved' (Otley, 2005, p. 84). This therefore incorporates organisation structure (question 2) in its widest sense of including relationships and processes, both in internal and external networks. Information flows (question 9) are not restricted to accounting systems but include other operating systems and informal networks of individuals. The *use* made of information and controls (question 10) rather than the design of such systems is considered to be the 'cornerstone of PMS' (p.275). Their final questions address how a PMS changes over time and its overall coherence. 'Like any other system, a PMS is greater than the sum of its parts and there is need for alignment and co-ordination between the different components for the whole to deliver efficient and effective outcomes' (p.275). In other words, the emphasis has moved from performance measurement to performance management. Strategic alignment is a central concept within this, capturing financial and non-financial outcomes and linking strategy vertically with measures and horizontally to the value chain (Ferreira & Otley, 2009; Chenhall, 2003). Thus, Ferreira and Otley endorse the concept of management control as a package of loosely coupled but coherent parts (rather than a planned, consciously designed system).

Ferreira and Otley's PMCS is therefore a suitable framework for research into performance management within the voluntary sector. Ferreira and Otley (2009) themselves argue that it is suitable for both for-profit and non-profit organisations (p.277), albeit only referring to this in their conclusions. It provides a holistic framework but without prescription. They suggest that stakeholder rather than shareholders views can be included. It lays out clear questions, which they suggest provides structure to the large amounts of data collected within cases. It supports the concept of control as a package, advocated by Malmi and Brown (2008).

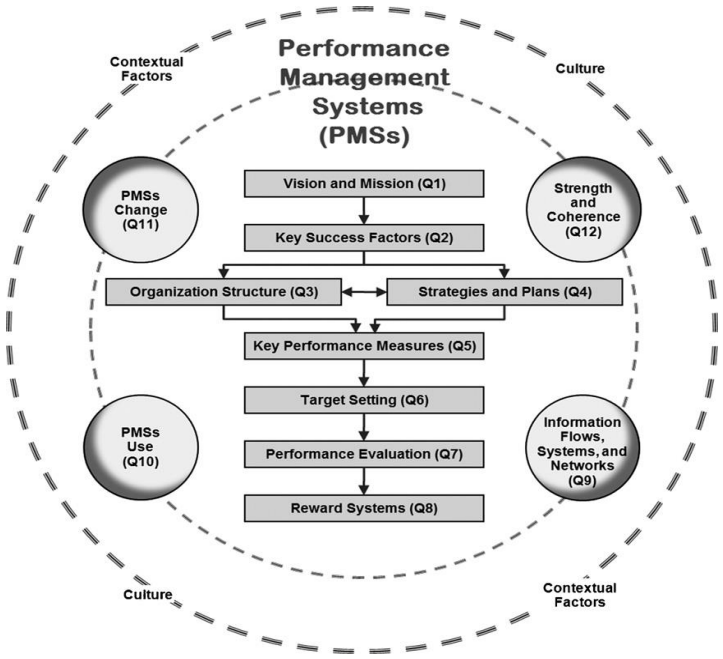


Figure 2.5: Performance Management and Control System

(Ferreira & Otley, 2009)

2.8.1 Suitability of Ferreira and Otley's PMCS

A second framework, Ferreira and Otley's (2009) PMCS is considered as a possible research framework. In light of criticism, Ferreira and Otley (2009) extended Otley's 1999 management control framework by including four additional questions (9-12 see Figure 2.5) addressing PMS change, PMS use as well as strength and coherence, and information flows and networks. It therefore purports to be a comprehensive framework to study management control. The PMCS would therefore appear to be a suitable framework for research into performance management within the voluntary sector. Ferreira and Otley (2009) themselves argue that it is applicable in both for-profit and non-profit organisations (p.277) as it provides a holistic framework but without prescription. They suggest that stakeholder rather than shareholders views can be included. It lays out clear questions, which they suggest provides structure to the large

amounts of data collected within cases. It supports the concept of control as package concept, advocated by Malmi and Brown (2008). It also implies that some modification of Simons' LOC might be beneficial. By mapping Simons' LOC onto Ferreira and Otley's PMCS framework (see Table 2.4), it can be seen that eight core questions which involve management control processes all have some interactivity. This suggests that interactivity is not a lever as such but is ubiquitous in any organisation as the way in which the other levers are used. This research therefore supports the view that the types of control (belief, boundary and diagnostic) should be distinguished from their use (interactive and diagnostic). Ferreira and Otley's framework is therefore considered to be a very useful guide for framing research questions and formulating questions within an interview protocol.

Table 2.4 Mapping Ferreira/Otley PMCS to Simons' LOC

QUESTION	THEME	BELIEF	BOUNDARY	DIAGNOSTIC	INTERACTIVE
1	Vision/mission	x			x
2	Key success factors		x	x	x
3	Organisation structure		x		x
4	Strategies/plans		x	x	x
5	KPIs			x	x
6	Targets			x	x
7	Performance evaluation			x	x
8	Reward systems	x		x	x

Source: author's interpretation, developed from management control literature

While Ferreira and Otley's framework has much to recommend it as a framework for management control research, it does have some limitations. The authors only refer to its potential application to the voluntary sector briefly in their conclusions. One notable limitation of its use within the voluntary sector is that the PMCS framework assumes that staff motivations are extrinsic with reward systems based on targets. Even

the modified PMCS framework is not without its critics. While Ferreira and Otley refute the arguments of Collier (2005) that not all four levers of Simons' control systems are fully incorporated nor are informal controls adequately included, they do accept that they have not explicitly addressed the contextual factors and the organisational context within their framework. Broadbent and Laughlin (2009, p. 284) propose an extension to Ferreira and Otley's framework, addressing the ambiguity in their final four questions, suggesting that Ferreira and Otley 'deliberately distance themselves' from contextual and cultural factors. They develop a 'middle-range' framework, conceptualising alternative natures of PMSs along a continuum from transactional to relational. They distinguish between Weber's instrumental rationality and Habermas' communicative rationality. Instrumental rationality has an intentional end-state achieved through rational social action and is therefore goal orientated. Habermas' end-state is a result of discourse between participants or stakeholders, achieving a consensus. They link these with four other rationalities: formal; substantive; theoretical; and practical (see Table 2.5).

A transactional PMS, driven by instrumental rationality, has a high degree of specificity about the ends to be achieved, and often clearly defined means to the ends. It is highly functional, with rules of behaviour. Performance indicators are determined by a specific group through formal rationality and tend to be quantitative. They are derived from theoretical rationality and rely on a legal-rational authority for compliance. On the other hand, a relational PMS is driven by communicative rationality or discourse between stakeholders debating appropriate performance indicators based on substantive rationality, often including qualitative as well as quantitative measures. Rules can be included but only through discussion and consent of the participants. Targets are agreed between stakeholders as they are the owners of the PMS. These are ideal types and represent two extremes at each end of a continuum. PMSs do not exist is isolation; they are set in organisational contexts, one of which is the

regulatory environment which in itself could be transactional or communicative.

Table 2.5 Instrumental and communicative rationalities adapted from Broadbent and Laughlin (2009).

Underlying Rationalities described	Instrumental Rationality	Communicative Rationality
Performance indicators derived using:	Formal rationality: economic expressed in numerical, calculable forms	Substantive rationality: less defined and can include ethical, political ends 'value rationality'
Choice of means to achieve the ends	Theoretical: concepts derived from a mental understanding	Practical: physical know-how
Probability of different stakeholders owning ends & means	Likely to be low	Likely to be high
Underling authority structure	Legal rationality: rules, authority structures	Reflexive authority: negotiated by all concerned
PMS	Transactional	Communicative

2.9 Conclusion

This chapter has discussed the nature and purposes of measures, performance measurement systems and performance management. It has identified some key characteristics of effective performance measurement systems, such as diversity, alignment, integrativeness and comprehensiveness. It has argued that performance management is a

broader concept than just taking action as a result of performance measurement. Management control incorporates a package of controls, including social, cultural and informal controls. The suitability of using two performance management frameworks for research into the voluntary sector is considered. Ferreira and Otley (2009) claim explicitly, albeit briefly, that their PMCS framework can be applied in the voluntary sector. As Simons' (1995) Levers of Control has been used extensively in the public sector, its application in other types of non-profit organisations would also seem to be appropriate. It is therefore surprising that neither framework has been used fully to explore performance management in the voluntary sector. One only uses two of the four levers in analysing the interactive and diagnostic levers in relationships between public sector and voluntary organisations (Kominis & Dudau, 2012). A second cites all four levers in an NGO but does not explore the interactions between them (Chenhall, et al., 2010). This review of management control literature therefore identifies a gap: there has been little explicit research into voluntary sector performance management.

Chapter 3: Voluntary sector performance measurement literature review

3.1 Introduction

In Chapter 2, it is argued that there is a gap in the management control literature as there is no explicit focus on voluntary sector performance management within it. This chapter considers this from the perspective of the voluntary sector. By reviewing the literature on voluntary sector performance measurement, the extent of discussion around performance management within this sector can also be assessed. While there has been debate on how to most effectively measure and manage performance in general management control literature since the 1960s, discussion on performance measurement in the voluntary sector is relatively recent (Moxham, 2009; Carman, 2007). With a changing accountability culture, stakeholders, particularly funders, are increasing their demands for performance reporting in a variety of ways, notably for the measurement of outcomes and social impact. However, the literature is fragmented and covers many academic disciplines from sociological, development and management perspectives to statutory reporting within accounting literature (Lecy, et al., 2012).

This chapter considers how the differences between the private, public and voluntary sector and questions might affect the applicability of the generic performance measurement and management frameworks, discussed in Chapter 2 to this research. The purposes and uses of performance measurement information are placed in the context of organisational effectiveness within the voluntary sector, including goal attainment, managerial effectiveness, legitimacy and accountability. These are compared to the purposes of performance measurement information, outlined in Chapter 2 and later incorporated into an interview protocol. As voluntary hospices in the UK are required to report to the Charity Commission, their statutory reports show how they demonstrate their performance to an external audience, revealing how that performance is measured. However, this gives limited insight into internal performance measurement, resulting in calls for further research to fill this gap. This

review of the literature on voluntary sector performance measurement reveals a second gap. While there are similarities to the diverse, aligned and integrated performance measurement systems identified in chapter 2, concepts of comprehensive performance management, including 'control as a package', are yet to be addressed in the voluntary sector literature.

3.2 Differences between private, public and the voluntary sectors

Chapter 2 sets out frameworks of performance management that could be used for researching performance management within the voluntary sector. Ferreira and Otley (2009) argue that their PMCS framework is sufficiently generic to apply across all sectors including the voluntary sector. As it has been primarily used within the private sector, this literature review begins by considering the differences between the sectors to see if there is any reason why a generic framework might not be appropriate in this research. Despite the blurring of the sectors, the differences between voluntary, private and public sector organisations are frequently cited (Kendall & Knapp, 2000; Arvidson, 2009). We have seen the definition of the voluntary sector in Chapter 1 provided by Salamon and Anheier (1997) as formally organised; independent organisations that are predominantly not funded by the state; cannot distribute their surplus'; and benefit from volunteers' help. Other characteristics are attributed to voluntary organisations including an inclusive, community focus (Arvidson, 2009) and making contributions to society through advocacy and innovation (Kendall & Knapp, 2000). In the UK, charities have to meet particular legal requirements as they are expected to demonstrate their public benefit following legislative changes in the Charities Act 2006.

This chapter discusses the extent to which these factors influence how their performance is measured and managed. Some would argue that the differences are sufficiently distinct that management practices from the private and public sector are not necessarily transferable. For example,

Hind (2011) suggests that the Charity Commission should not operate in the same way as its fellow regulators, such as the FSA or Ofcom. Others argue that they are addressing similar management problems, and voluntary sector organisations can benefit from management practices from other sectors (Speckbacher, et al., 2003; Dart, 2004; Moxham, 2009; Tucker, et al., 2013). Certainly, the transferability of private sector management practices cannot be assumed and, at the very least, resistance to such practices can be anticipated (Harrow, et al., 1999; Moxham, 2010). Despite the diversity within the sector, voluntary organisations share some common characteristics: purpose and motivation; the role of finance; governance structures; and multiple stakeholders. All these factors contribute to the difficulties in measuring performance and invite the question of how far generic management control frameworks can be used within a specific context. As there is also diversity in the terminology used to describe the sector, the term voluntary sector will be used in this chapter except where authors use different terms in their own analysis (such as non-profit or NGO). This chapter will consider whether the concepts of management control theory can be applied and have meaning in a voluntary sector context.

Voluntary sector organisations have a different purpose and motivation to their private sector counterparts, albeit sharing much with the public sector. They are mission driven with an overriding purpose of providing benefit to others with objectives determined by values rather than money. Beamon and Balcik (2008) contrast the performance measurement in a humanitarian relief chain with that of a commercial supply chain, where the former is primarily concerned to relieve human suffering and the latter with cost reduction. They argue that diversity even within the sub-sector of humanitarian relief organisations is such that there can be no common approach to performance measurement. Missions can be intangible, multifaceted and amorphous and are notoriously difficult to measure (Forbes, 1998). Sawhill and Williamson (2001, p. 371) use the

example of human suffering to illustrate this point. 'Imagine an organisation whose mission is to alleviate human suffering. How can you measure such an abstract notion? How can an organisation meaningfully assess its direct contribution to such a broadly stated mission?' In contrast, private sector organisations benefit from the 'simple elegance of a financial measure' (Kaplan, 2001) with a clear goal to maximise shareholder wealth by improving return on capital invested, although this may be a crude simplification of commercial motivations (Arvidson, 2009). 'In the business world, market forces serve as feedback mechanisms' with good financial results attracting capital and talent (Bradach, et al., 2008). They argue that missions are the primary magnet for non-profit organisations but 'these are typically better at providing inspiration than direction'. Moreover, the very success in raising funds can result in the donors not making further donations. Speckbacher (2003) suggests that the private sector benefits from the 'single bottom line', by reducing complexity in three ways: primacy of owners; homogeneity and measurability of owner's interest; and a common currency of assessment and delegation. He compares three economic models, concluding that the technological and property rights models suit private sector organisations but the third, the stakeholder view, is the only one appropriate for non-profit organisations.

Consequently, the role of finance is quite different in a voluntary organisation organisation. It is a means to an end, rather than an end in itself. It is a facilitator to enable benefits to be given but it is also a constraint (Kaplan, 2001), limiting how far that benefit can be spread. Ironically, an increase of clients may present a problem for charities with limited resources rather than a benefit in private sector organisations. Revenues are raised from a variety of sources: donors, grant-making agencies as well as from the sales of goods and services; all subject to different legislative constraints (Beamon & Balcik, 2008). There is no simple transaction between customer and provider of the service. In the voluntary sector, the two roles of a customer, as receiver and payer of a service, can

be separated. 'Investors', in this case funders, do not expect an economic return but look at the maximisation of the pass-through ratio, ensuring others get the greatest benefit from their donation (Connolly, et al., 2011). Lacking a common monetary value which represents an organisation's primary objective, comparing cost with benefit of different courses of action becomes more problematic. Delegation of responsibility is more complicated where goals are diverse and difficult to measure. Comparison between projects, departments and organisations relies on subjective judgement. A single profit measure also provides an early warning system of future problems, which is much less clear in voluntary organisations (Anthony & Young, 2003).

Even if voluntary sector organisations share similar motivations to the public sector, their governance structures differ. They lack the single line accountability to shareholders of the private sector or 'the discipline of the ballot box' of the public sector (Kendall & Knapp, 2000). Crawford et al. (2009) comment that accountability suffers due to the lack of a shareholder equivalent to which charity trustees could be held to account. Instead of a single corporate board, good governance depends on a triumvirate of trustees, directors and chairs (Harrow, et al., 1999). There is no ownership interest that can be sold, transferred or redeemed. Trustees operate in different ways to shareholders, corporate board members or non-executive directors: they are not paid, are arguably less informed and are often chosen for reasons other than good management abilities (Anthony & Young, 2003). The 'absence of owners' creates tensions between donors and managers, fundamentally hampering the management of non-profit organisations, according to Brown and Caughlin (2009). Harrow et al. (1999) conclude that in small UK charities, trustees were reactive reviewers rather than active users of management information. They see their role as monitoring rather than contributing to the strategic direction of the organisation. Given that many are legally liable, they arguably put too much reliance on trusting the chair of the

directors. The role of trust has been considered a distinguishing feature of the sector, with high levels of trust being associated with the reduced need for performance reporting (Harlock, 2013; Nicholls, 2009; Manville & Broad, 2013).

With different governance structures and motivations, voluntary organisations have multiple stakeholders. Even within the private sector, accountability is now discussed, not in terms of shareholders but of all stakeholders, including an organisation's corporate responsibility to the general public. Stakeholder theory suggests that different groups have saliency, depending on power, legitimacy and urgency (Mitchell, et al., 1997). Their relative weight in each category determines their influence over the organisation and, by implication, what gets measured and reported. With more complex sets of stakeholder relationships than in the private and public sector, this is particularly pertinent to the voluntary sector in influencing what and how performance is measured. As well as theoretical complications, there are practical difficulties arising from multiple stakeholders 'whose goals and needs may be quite heterogeneous' (Speckbacher, 2003, p. 268). Balser and McCulsky (2005) argue that non-profit organisations operate in complex environments where multiple stakeholders create much uncertainty. They cite an example in a museum where the director wanted to use resources for shows for professional art historians whereas the donors wished to see accessible and popular exhibitions. There are likely to be different perspectives on how achievements are to be measured (Kendall & Knapp, 2000). Consequently, there are more conflicts and trade-offs between stakeholders than in other sectors. Performance measurement systems are often set up in parallel to satisfy the needs of different stakeholders, creating confusion and demanding resource (Beamon & Balcik, 2008).

These differences between the sectors (purpose, finance, governance and stakeholders) all need be taken into account when considering how to use generic frameworks to research into voluntary

sector performance management. However, they are not so fundamental to undermine their applicability and relevance to research into how measures are used to manage performance in the voluntary sector.

3.3 Organisational effectiveness

To understand what needs to be measured in the voluntary sector, some concept of what constitutes organisational effectiveness must be considered but this is an 'elusive and contested concept' (Herman & Renz, 2008, p. 399). As this research explores how hospice performance can be managed effectively, this is a key consideration within this thesis. Organisational effectiveness in the voluntary sector is a highly contested area of debate; a product of fragmented discussions across disciplines as disparate as sociology, development, international relations and management. It is often not defined in the literature and research is predominantly theoretical rather than empirical (Lecy, et al., 2012). Herman and Renz (2008) have developed a series of theses of organisational effectiveness over a decade from their own and others' research. They argue that, as organisational effectiveness is socially constructed, a reputational approach based on stakeholder perceptions is appropriate but there is no universal best practice. As such, any measurement needs to be comparative (to prior years and similar organisations). Any assessment has to be contextual, taking into account the size and activities of different types of voluntary organisations as well as considering different levels of performance, such as organisational and programme. Thus, they conclude that 'as yet there is no commonly agreed basis for judging NPO effectiveness' (Herman & Renz, 2008, p. 404).

Forbes (1998), in a seminal article, categorized three main approaches to understanding organisational effectiveness in non-profit organisations. The first, goal attainment, is consistent with the seminal definition of effectiveness by Anthony (1965) cited by Berry et al. (2005) in

management control theory. The second approach identified by Forbes (1998), the resource approach, concerns the viability or survival of the organisation. Sheehan (1996) suggests this can include internal processes and HR resources but criticises its focus on inputs not outcomes. The third category, reputational, seeks the opinion of others including clients and professionals. Lecy et al. (2012) identify four domains of effectiveness. Three of these, legitimacy, programme and managerial effectiveness, correspond to Forbes' reputation, mission attainment and resource management respectively. The fourth domain, networks, is shared by Balser and McCulsky (2005) in the building of stakeholder relationships.

3.4 Purposes of voluntary sector performance measurement information

Different perceptions of organisational effectiveness influence the purposes of performance measurement information, by whom and how it is used. Four purposes of performance measurement are identified by Henri (2006) in Chapter 2; monitoring; attention-seeking (problem-identification); strategic decision-making; and legitimation. As these will inform the research sub-questions and interview protocol, their resonance with the different perceptions of organisational effectiveness in the voluntary sector is important. To achieve their goals, voluntary sector organisations need to monitor their performance and identify the problems that inhibit their goal attainment. To use their resources effectively, they require information for decision-making. To enhance their reputation, they need performance measurement information to demonstrate their legitimacy and accountability.

Much voluntary sector literature addresses a potential tension in the purposes of performance measurement. Practitioner literature has investigated how, on one hand, performance measurement information can be used to 'improve' the internal operations; and on the other, to 'prove' its performance to external stakeholders, thus ensuring the

accountability of the organisation (Pritchard, et al., 2012; New Economics Foundation, 2012). Buckmaster (1999, p. 157) argues that 'while the pressure to measure outcomes is coming primarily from accountability requirements, the need to do so is primarily to learn and manage programmes promptly and properly'. She suggests that organisational learning in non-profit organisations should not be limited to single-loop learning, such as controlling costs within a programme, but include double-loop learning by considering the wider environment and developing higher levels of understanding of how outcomes might be best achieved. It is however recognised that these purposes are not necessarily clear-cut in practice. Lynch-Cerullo and Cooney (2011) comment that most managers do not distinguish between reporting, monitoring, management practice and evaluation.

3.4.1 Monitoring and problem-identification: goal achievement

Voluntary sector performance measurement needs to provide information to enable the monitoring and evaluation of how an organisation has achieved its goals; Forbes' (1998) first consideration of organisational effectiveness. However, this is often complicated and subjective, given amorphous aims and outcomes delivered by networks of organisations. Goals are set at different levels and often do not lend themselves to aggregation (Harlock, 2013) unlike the profit measure of the private sector. Sheehan (1996) advocates mission accomplishment rather than goal attainment as this is more likely to include organisation–wide measures which reflect impact rather than specific measures for particular activities. Sawhill and Williamson (2001), on the other hand argue mission is so vague that more specific goals are more realistic to measure meaningfully. Many voluntary organisations are primarily concerned with programme level achievements; the third domain defined by Lecy et al. (2012). A key issue within voluntary sector performance measurement is

how to link outcome achievement from the point of view of beneficiaries to programmes and ultimately to organisational mission (Campbell, 2002). 'Organisations delivering multiple programmes have often found that programmatic success does not equate to success in fulfilling overall organisational mission' (Ebrahim & Rangan, 2014, p. 135).

Measurement of goal achievement is difficult as definitions of what should be measured are contested. Both academic and practitioner literature promote the measurement of outputs, outcomes and impact. However definitions are variable and not used consistently. Zimmerman and Stevens (2006) report that 75% of non-profits in South Carolina use outcome measures but define this loosely including any measure of performance, while implying it relates to the achievement of organisational strategies. Pritchard et al. (2012) in their practitioner study of 1000 UK voluntary sector organisations accept that they define impact broadly without being able to assess the depth or breadth of understanding of their respondents. Outputs are defined as the direct product of an activity (Carman, 2010; Poister, 2003; Kendall & Knapp, 2000) and are countable units (Harlock, 2013) such as the number of beneficiaries using a service. However, simply measuring outputs can lead to wrong actions, such as inappropriate cost cutting (Buckmaster, 1999). Harlock (2013) defines outcomes as the 'end results' of the service. Sawhill and Williams (2001) provide a pertinent example, describing how Nature Conservancy had measured outputs, 'buck and acres' or the cost of land acquired, but moved to measuring outcomes by assessing the extent of biodiversity conservation. Outcome measurement has been one of the most important changes affecting public sector management in the UK with a move away from input and output measurement, responding to government pressures under the Blair government (Wimbush, 2011). This affects voluntary organisations, particularly in the health sector with outcomes-based commissioning of their services (Harlock, 2013). While the definition of impact is contested, lasting change is often a characteristic feature.

Harlock (2013) defines impact as the longer term difference made by an organisation through its programmes, thus subtly different to outcomes as a result of a particular service. Ebrahim and Rangan (2014) distinguish between outcome and impact by arguing that the former is the lasting changes to individuals whereas the later implies lasting change to a community.

As pressure to report impact and outcome rather than output (Wimbush, 2011; Harlock, 2013; Ebrahim & Rangan, 2014) has increased, measuring goal attainment of a single organisation has become more complicated. Attribution of impact to particular organisations which are often part of complex networks, sharing a common outcome, is problematic with some suggesting a multi-agency model of performance measurement (Atkinson & Maxwell, 2007). Ebrahim and Rangan (2014) argue that outcome and impact should only be measured at a higher level, possibly by funders, and only those activities and outputs that are controlled by a single organisation should be measured by them.

3.4.2 Decision-making: effective use of resources

Lecy et al. (2012) identify managerial effectiveness, as the financial control and governance of the organisation or managing the resources to ensure survival; Forbes' second criteria of organisational effectiveness. This can include the financial management of a voluntary organisation, such as budgeting, but also management of internal processes such as strategic planning, quality and process improvement (Sheehan Jr, 1996). While academic literature on management accounting practices in the voluntary sector is scarce, textbooks and practitioner literature set out best practices of internal processes, such as strategic planning, budgeting and costing methods (Anthony & Young, 2003; Poister, 2003). LeRoux and Wright (2010), in their study of several hundred US social service organisations, conclude that performance measures enhance non-profit managers'

strategic decision-making (while acknowledging other factors such as governance, funder diversity and the quality of educational background of the executive directors).

3.4.3 Legitimacy and accountability: enhancing reputation

As well as performance measurement information being used for the internal purposes of monitoring performance against goals and making decisions about resource allocations, it also has an external role. By reporting on performance, the organisation's legitimacy is enhanced. Lecy et al. (2012) describe this in terms of protecting the brand or reputation of a non-profit organisation with Barman (2007) arguing that demonstrating legitimacy is essential for fundraising. Bagnoli and Megali (2011) in their conceptual model of performance of social enterprises include institutional legitimacy alongside economic and financial performance in a three part model. Institutional legitimacy, in their view, includes adherence to regulation as well as the accomplishment of mission. Several voluntary sector researchers have drawn upon the work of Di Maggio and Powell (1983) in their observations of legitimacy. In discussing why organisations have become more similar, they developed a typology of three kinds of isomorphic pressures: coercive; mimetic; and normative. Tucker and Parker (2013) find examples of each in their study of Australian non-profit organisations as they seek both internal and external legitimacy. Funders, particularly those connected with the government, exert coercive pressure by demanding particular forms of performance reporting. Non-profit organisations also adopt common practices such as mimetic isomorphism, as they are perceived to be best practice. They also give examples of normative pressures whereby managers adopt reporting based on their professional experience, particularly from the private sector. Greiling (2010), in observing the reasons for the adoption of the BSC in German non-profit organisations, suggests that it may be an example of mimetic

isomorphism. First, it signals to stakeholders that the management are using up-to-date tools and second, it adds to the legitimacy of funders who can then justify to their own stakeholders that their funds were used efficiently.

Performance measurement information not only enhances the legitimacy of voluntary organisations but provides the means to hold them to account. Their characteristics, such as their purpose, the role of finance, governance and multiple stakeholders, all present difficulties in considering to whom and for what these organisations are accountable. Edwards and Hulme (1995, p. 9) in their authoritative work on performance and accountability in NGOs and grassroots organisations suggested that 'accountability is generally interpreted as the means by which individuals and organisations report to a recognised authority, or authorities, and are held responsible for their actions'. However, accountability is not merely to those in authority over organisations. Crawford et al. (2009, p. 192) concluded that 'charity managers and trustees see accountability as more extensive than simply in financial terms and identify a wide range of accountability relationships with a variety of stakeholders'. 'Since there are few absolute performance measures in NGO evaluation and no single bottom line, negotiation among stakeholders is the essence of accountability in this area' (Edwards & Hulme, 1995, p. 12). Ebrahim (2003) has argued that accountability is relational, showing the complicated sets of relationships between voluntary sector stakeholders. He also argues that it includes both internal as well as external accountabilities, finding the private sector principal-agent model too simplistic for non-profits. More recently, commentators have distinguished between 'upward' accountabilities to funders and trustees, and 'downward' accountabilities to the beneficiaries, employees and volunteers. Benjamin (2012) considers how accountability to beneficiaries with their 'ambiguous standing' in non-profits can be improved in reporting outcome measures. Christensen and Ebrahim (2006) have added a third category, by distinguishing between

beneficiaries and the 'lateral' accountability to staff, volunteers and community partners. They observe tensions in trying to satisfy all three levels of accountability in a case study of an organisation helping immigrants and refugees, arguing that pressure to account upwards threatens mission. They recommend that strong lateral accountability enhances both upward and downward accountability. Campbell (2002) describes the 'paradox of political accountability' in attempting to meet the needs of both a broad social aim and specific programme achievements. As well as formal accountability structures, there can be informal accountability practices with several authors referring to a felt or moral responsibility (Ebrahim, 2003; Christensen & Ebrahim, 2006; Polonsky & Grau, 2011) .

Edwards and Hulme (1995) argue that performance and accountability are inextricably linked. With an explosion in global numbers of NGOs and grassroots organisations in the 1980s and 1990s, they warn of two types of potential corruption: their integrity is threatened by both financial scandal and deviation from their mission for social transformation. Their central argument (p.6) is that there are two essential parts to NGO accountability: 'Performing effectively and accounting transparency are essential components of responsible practice on which the legitimacy of development intervention ultimately depends'. To avoid these two threats to corruption, they argue (p.5) that the only way that these can be avoided is 'to develop systems for performance monitoring, accountability and strategic planning.' Effectively, this equates to three of Henri's four (2006) uses of performance measurement information: monitoring; legitimation; and decision-making.

Table 3.1 Organisational effectiveness and uses of performance measurement information

Use in interview protocol	**Voluntary sector literature** Organisational effectiveness		**Management Control literature** Uses of performance/ accounting information	
	Forbes (1998)	Lecy et al.(2012)	Henri (2006)	Burchell et al.(1980)
Monitoring	Goal attainment	Programme	Monitoring	Answer machine
Problem-identification			Attention focusing	Learning machine
Decision making	Use of Resources	Managerial	Strategic decision making	Ammunition machine
Legitimacy, Accountability	Reputation	Legitimacy	Legitimizing	Rationalization machine
Not used: see limitations in chapter 10.		Networks		

Source: Author's own

3.5 External UK charity reporting

As UK voluntary hospices are required to report to the Charity Commission, their statutory reports provide information on how they measure their performance, including mission fulfilment. Of the four uses identified by Henri, this should at a minimum meet the requirements of legitimacy, broadened here to include accountability**.** There has been extensive research into the external reporting of performance within UK charities, including in what ways and to whom are they accountable. Citing the work of Brody (2001) and Taylor and Rosair (2000), Connolly and Dhanani (2009) and Crawford at al. (2009) they use the distinction between fiduciary and managerial accountability; the latter being, described as performance accountability by Connolly et al. (2015). They divide

performance accountability into two further categories. The first is financial management, designed to ensure the efficient use of financial resources. The second is operational accountability, allowing an organisation to demonstrate its impact on wider society, or goal attainment. The statutory reports of UK voluntary hospices should therefore be a good source of performance information from both a financial and operational perspective, at least in as far as it it presented to an external audience.

Statutory requirements, or what is perceived as relevant information for users by the regulator, has changed over the last three decades. Connolly et al. (2015) identify key developments in the evolution of UK charity accounting between 1988 and 2005. Recommended practice was replaced by mandatory requirements and preparer discretion has been reduced. For example, the 1995 SORP introduced a more prescriptive approach, replacing the Income Statement with the SOFA (the Statement of Financial Activities) and imposing the distinction between restricted and unrestricted income. Whereas the 1988 SORP was predominantly based on commercial accounting principles (such as the principal-agent theory), charities now have requirements more tailored to their specific needs. By introducing narrative reporting in the Trustees' Annual Report (TAR) and Summary Information Returns (SIRs) in the 2005 SORP, emphasis is put on the reporting of operational performance as well as financial results. The requirement for SIRs was later withdrawn due to duplication in the 2015 SORP.

3.5.1 Relevance of UK charity reporting

UK statutory reports should provide a useful source of information on performance measures used by voluntary hospices, especially as more emphasis has been put on operational performance by the regulator. However, research carried out into how UK charity reporting meets the needs of its stakeholders questions how relevant this information is. As

early as 1990, Hyndman commented on the 'relevance gap' between what was disclosed and what the users actually wanted (Hyndman, 1990; Hyndman, 1991). In 1990, he identified the key users as the contributors and surveyed the 163 largest fund-raising charities in the UK, using 14 types of information mostly used in an *a priori* model. He argued that, as contributors, they were not entitled to information other than publically available financial reports. Yet most of the information sought by the contributors was non-financial. Even though they provided resources, their motivation was not economic gain. They were more interested in objectives and future plans that were unlikely to be expressed in financial terms. The information types most often found (such as the three audited statements, operating statement, balance sheets and funds flow) were considered the least important by the contributors. Conversely, non-financial information was considered to be most useful, such as goals, efficiency and outputs. While appreciating the difficulties of providing performance-related information, he concluded that 'contributors would be better served by simplified, rather than audited financial statements' (Hyndman, 1991, p. 306).

Having identified a 'relevance gap' in the 1990s, little improvement has been seen over the last three decades. Connolly and Hyndman (2003) used the same 14 categories of information to demonstrate limited improvements to performance reporting in the annual report following two revisions to the SORP in 1995 and 2000. More attention was given to public sector performance measurement terminology; efficiency (outputs: inputs) and effectiveness (outputs: objectives), with comparisons being drawn with the higher quality of performance information reported in that sector. They found that there were a significant number of charities which reported no information on effectiveness (71%) and efficiency (91%). While this gap has closed considerably, Connolly and Hyndman (2013b) conclude that the relevance of Annual Reports can still be questioned. Measures of efficiency have only improved from 2% in 1990 to 22% in Annual Reports

and 25% in Annual Reviews by 2008. Moreover, the specific measure of % administration costs show no change over this time (Connolly & Hyndman, 2013b).

Attempts to change the reporting requirements to better meet stakeholders needs has had mixed success. Narrative reporting requirements were implemented in SORP 2005. This put more emphasis on the TAR and introduced a SIR for larger charities. Connolly and Dhanani (2009) conclude that the Annual Report, including financial statements, play a limited role in discharging all aspects of accountability. Moreover, the importance of its role was reducing over time. They analyse the narrative reporting patterns of the largest UK charities in terms of fiduciary, financial and operational managerial performance, including higher quality performance measures of efficiency and effectiveness. Only 49% of charities surveyed include efficiency and effectiveness measures in their Annual Report. Statutory reports provide a good starting point for research into hospice performance measures but further information is needed to understand how they manage their performance.

3.5.2 Alternative UK external reporting

External reporting of performance is not limited to the TARs and SIRs reported to the Charity Commission. Connolly and Dhanani's (2009) research confirms that accountability is being discharged in ways other than just the annual report. Interviews with charity representatives suggests that the key stakeholders are considered to be not the funders or contributors, as presumed in earlier research, but other types of stakeholder, such as the public, government and beneficiaries. Their needs are being addressed through other mechanisms, such as through the annual review and websites. It is argued that different external audiences require different types of accountability information, with the Annual Report being seen by interviewees as a 'grey' document fulfilling a

statutory role and being needed by big funders and senior management. The annual review, on the other hand, could 'tell the charities' story' in a more user-friendly way and addressed the needs of their wider audiences more appropriately. However, this had arguably resulted in weakened performance accountability. There is concern that annual reviews are being used to present selective information; accountability is being superseded by a publicity agenda in reporting only good stories. Moreover, they comment on a reluctance to demonstrate results, such as societal change or to provide forward-looking information, rather than just activities. Websites are ubiquitous but, in their view, do not discharge accountability effectively, with only two-thirds uploading their annual report and predominantly providing descriptions of activities rather than on performance. Adopting a different model, Dhanani (2009) uses four categories of accountability, charitable intent, activity, performance and future intent, to analyse the variety and volume of disclosures of large charities on the GuideStar UK website. She draws similar conclusions with charities providing descriptive information but being unwilling to disclose higher order performance measures.

External reporting, both through statutory and other reports, provides insight into how performance is measured within voluntary organisations. However, weak external performance reporting has been seen as indicative of poor internal reporting too. Throughout this research there has been conjecture on why charities are unwilling to disclose high-quality performance measures. In 1991, Hyndman discussed the possible reasons for the reluctance to disclose such information including concerns over misinterpretation, fear of negative reactions or the high cost of providing information. Initially, he discounted the possibility of the lack of adequate internal systems to provide such information as, at least some of the information (such as goals and objectives) should have been readily available. Connolly and Hyndman (2003) argue that in an increasingly competitive environment, there is every incentive to demonstrate good

performance. They conjecture that reluctance to disclose is possibly indicative of a weak internal regime. 'It could be argued that those charities with better governance regimes are more likely to develop extensive internal systems to target, measure and report performance, particularly performance related to effectiveness and efficiency. It could be the case that charities with better governance may have more complete foundations on which to base the external reporting of performance and therefore more likely to provide such information in their annual reports' (Connolly & Hyndman, 2004, p. 149). Interestingly, Connolly and Dhanani (2009) comment on SORP 2005 requiring charities to disclose performance information *only* if their internal systems collect it. Given the lack of external performance reporting, they conclude that there is likely to be an absence of internal systems. They acknowledge that was beyond their remit to investigate internal performance reporting and later call for case studies into performance measurement and management.

3.5.3 UK Charity objectives and achievements

Charity reporting research has thus concluded that there is a lack of meaningful operational performance reporting within statutory returns. However, the 2005 SORP (Charity Commmission, 2005) did not specify to any great extent what operational performance detail was required. While fifty pages of the SORP specify the technical accounting detail, there is only just over one page given to stipulating how objectives, achievements and performance should be included in the TAR. Guidance on specific measures is limited to:

> *'The report is likely to provide both qualitative and quantitative information that helps to explain achievement and performance. It will often be helpful to provide indicators, milestones and benchmarks against which the achievement of objectives is assessed by the charity'* (Charity Commmission, 2005, p. 9).

Given the lack of specificity in the SORP guidance and difficulties of measurement, it is perhaps not surprising that precise, externally set measures such as efficiency and effectiveness have not been widely reported. There is, however, a call for holding charities to account for performance against the aims, strategies and objectives *that they have set themselves* by the Charity Commission. The SORP guidance states that:

> *'the report (TAR) should help the reader understand the aims and objectives set by the charity and the strategies and activities undertaken to achieve them'* (Charity Commmission, 2005, p. 8)

Connolly et al. (2013a, p. 51), in their interviews with stakeholders, conclude that 'the primary impression gained from the interviews is that accountability is believed to be closely associated with demonstrating that the monies received have been spent in accordance with the aims and objectives of the charity.' Moreover, the accountability framework used by Connolly and Dhanani (2009) has been extended to include 'strategic accountability', where disclosure includes their vision and mission; actions and activities as well as results and impact (Dhanani & Connolly, 2012). The revised SORP (FRS102) for large charities (Charity Commission, 2015) which came into effect from January 2015, is more explicit in requiring larger charities to report its objectives and activities (see Table 3.2).

Table 3.2 SORP (FRS102) (Charity Commission, 2015)

"Good reporting provides a coherent explanation of the charity's strategies for achieving its aims and objectives and explains how the activities it undertook contributed to their achievement. In particular, the report of larger charities must provide an explanation of:

> -its aims, including details of the issues it seeks to tackle and the changes or differences it seeks to make through its activities;
>
> -how the achievement of its aims will further its legal purposes;
>
> -its strategies for achieving its stated aims and objectives;
>
> -the criteria or measures it uses to assess success in the reporting period; and
>
> -the significant activities undertaken (including its main programmes, projects or services provided), explaining how they contribute to the achievement of its stated aims and objectives"
>
> *(Charity Commission, 2015, section 1.35-1.36)..*
>
> SORP (FRS102) (Charity Commission, 2015)

Research into UK charity accounting has been dominated by external reporting, concluding that weak external reporting implies that internal performance reporting must be poor too. However, vague statutory requirements on reporting against stated objectives may also explain this. As both these suggestions are only inference and conjecture, there is clearly a lack of research into internal performance reporting within the UK charity sector. Indeed, Connolly, et al.(2015, p. 176) argue 'given the importance placed by a range of stakeholders on performance information, further studies relating to what is meant by performance, how it might be measured and reported and what emphasis stakeholders place on it would seem appropriate'. They recommend that detailed case studies are carried out focusing on impact in specific contexts. This research seeks to do this by investigating the internal performance measurement in the hospice sector.

3.6 Voluntary sector performance measurement models

To some extent, this call for more research into performance measurement has been met by the research into the growth of

performance measurement practices in other academic disciplines within the voluntary sector. Ebrahim and Rangan (2010, p. 33) comment on the 'explosion of methodologies and tools for assessing social performance and impact' in the voluntary sector. Indeed, a review of websites reveals long shopping lists of tools available, such as a hundred recommended tools by New Economics Foundation (2012) and 150 found in the US by Lynch-Cerullo and Cooney (2011). There is also a growing academic literature on how performance in the voluntary sector is evaluated but this is diverse, fragmented and across a wide range of disciplines (Moxham, 2014). Indeed, in two literature reviews of voluntary sector performance, published within a year of each other (Cordery & Sinclair, 2013; Moxham, 2014), there are few common sources. These offer two typologies for voluntary sector performance measurement systems. Cordery and Sinclair (2013), with an accounting perspective, recommend four categories; economic/financial; programme theory; strategic and participatory approaches. Moxham (2014), with an operational background, suggests two broad groups; reputational; and multi-dimensional, with three sub-groups in each. Broadly, performance measurement models can be put on a continuum from the purely quantitative, such as financial results, to the purely qualitative assessment of performance such as the opinion of experts (eg peer review) and beneficiaries (eg anecdotal stories). Nicholls (2009) uses a 'spectrum of disclosure logics' to position different performance measurement methods between positivist, quantitative and interpretive, qualitative ends. Here, voluntary sector performance measurement models are mapped against the themes identified in the management control literature in Chapter 2; financial; diverse; aligned; integrated; and comprehensive performance measurement.

3.6.1 Financial and economic performance measurement

As in all sectors, voluntary organisations report financial performance through statutory reports and internal management

accounting systems. Carman (2007) found that 97% of non-profit organisations report expenditure, well exceeding every other type of performance measure but to be expected given legal requirements. Ratio analysis of financial measures is carried out in both the private and voluntary sectors. In the private sector, performance is predominantly analysed through profitability, liquidity and gearing ratios. Financial measures can be derived from charity statutory accounts and incorporate conversion ratios such as administration costs as a percentage of total expenditure or fundraising costs compared to revenue generated (Connolly, et al., 2013b; Van Der Heijden, 2013). Ritchie and Kolodinsky (2003, p. 368) argue that, even in just considering financial performance, there is a 'confusing array' of measures and suggest consensus is needed to provide comparable financial information. By using factor analysis, they find six financial performance measures which represent three performance related categories; fundraising efficiency; public support; and fiscal performance. They advocate this method as a cost-effective starting point, even suggesting that one composite measure could be derived from the three indicators. They also recognise the shortcomings of dependence on purely financial information, such as cutting costs to meet short-term goals at the expense of longer term mission-critical services. Connolly et al. (2013b) show how financial measures are vulnerable to misinterpretation. There is paucity of discussion in the literature on costing systems within voluntary organisations, with brief reference to unit costs by McEwen et al. (2010) and costing systems by Bagnoli and Megali (2011). Nevertheless, LeRoux and Wright (2010) find that unit costs and efficiency measures contribute the most to strategic decisions made by executive directors.

Other methods of voluntary sector performance express measures in monetary terms. Cordery and Sinclair (2013) cite several economic methods of performance measurement including cost-benefit analysis, outcome-rating scale and social audit, as economic-financial models. One high profile method is the Social Return on Investment (SROI) model.

Derived from cost-benefit analysis, it calculates the ratio of costs to benefits in monetary terms so creating 'currency of social value' (Arvidson, et al., 2010). Nicholls (2009) positions it at the positivist, quantitative end of his 'spectrum of disclosure logics'. Advocates of SROI claim it to be holistic and comprehensive, as it combines economic value with social impact. Initially developed by the Roberts Enterprise Foundation in the US, it has been introduced by the New Economics Foundation in the UK, gaining government recognition in 2009. Its key distinction, at least in the UK, is its emphasis on stakeholder involvement. Underpinning the model are proxies for social benefits, giving a financial value to intangibles. Its limitations are well acknowledged, with disputes about the validity of quantifying social value and reducing social impact to a single monetary figure, thereby masking its underlying judgements (Cordery & Sinclair, 2013). As well as the philosophy being contested, there are methodological difficulties. It is sensitive to assumptions based on stakeholder judgements, contentious in its quantification of 'deadweight' and costly to administer. There is also evidence of 'ratio inflation' as organisations seek to outbid their 'competitors' with improved social returns (Arvidson, et al., 2010). Consequently, Luke et al. (2013) contend that it has primarily symbolic use amongst social enterprises.

Voluntary sector organisations face one specific issue not necessarily addressed by non-profits generally: the calculation of volunteer value. 'Without volunteers' active participation, society would lose a vital resource' (Cordery, et al., 2013, p. 47). This includes connecting charities with their communities, enabling them to deliver services not otherwise possible, developing volunteers' skills and providing trustees to act on boards. As financial statements traditionally do not include items for which there is no clear market value, the substantial contribution made by volunteers is not included in charity financial statements. Quarter et al. (2003) argue that, while income statements are logical for 'for-profit' organisations with shareholders, they are not ideal for non-profits. They

propose an extended added-value statement (EAVS) which looks beyond the surplus generated and includes any added-value distributed to all its stakeholders. This reports social inputs such as volunteer contribution and social outputs such as the skills learnt by volunteers through participation. While the valuation of volunteer contribution is not reported in financial statements, they monetise its value in their EAVS by taking volunteer hours, calculating total hours as full-time equivalent employees and applying an appropriate market rate. Benefits gained by volunteers are valued, such as at the equivalent cost of training. Such valuations can also be included their variant on SROI, the Community Social Return on Investment model (Richmond, et al., 2003).

The valuation of volunteers however is still controversial. On the one hand, it is important to 'highlight an otherwise invisible sizeable labour force' (Cordery, et al., 2013, p. 48). In their qualitative research, Cordery et al. (2013) find five factors driving the need to communicate volunteer value: painting a more complete picture; building a charity's reputation; recognising volunteers' contribution; internally managing resources; and meeting 'standards.' On the other hand, valuation methods are considered unreliable with no market value. Cordery et al. (2013) find three factors acting as barriers to valuation: adding the lack of organisational commitment to valuation to previously identified issues of resource constraints and methodology (who gets counted and what they are worth). They argue that the increasing professionalisation of charities, such as recording volunteer time for health and safety reasons and improved volunteer management, supports the case for better reporting. They recommend a soft approach reporting volunteer value 'as a gift of volunteers' time and to show a more complete picture of these charities capabilities' (Cordery, et al., 2013, p. 54).

3.6.2 Diverse performance measurement

In Chapter 2, it is argued that non-financial measures are needed to supplement financial measures to ensure diverse performance measurement. In the voluntary sector, these are typically outputs or measures of activities and measures of quality (Cairns, et al., 2005). Pritchard et al. (2012) report that 84% of UK charities report outputs compared to under 60% reporting outcomes, consistent with Carman's (2007) findings in community-based organisations in the US. LeRoux and Wright (2010) find that outcomes and effectiveness measures followed by output/workload measures contributed significantly to strategic decision-making. As Lecy et al. (2012, p. 438) conclude, the effectiveness of a non-profit organisation is 'clearly a complex issue to capture' with a variety of interpretations depending on the perspective of each stakeholder, from managers to board, from financial viability to the fulfilment of mission. Moxham's (2014, p. 710) typology includes multi-dimensional models which 'reflect the view point that there is not one best way to measure performance.' She includes three sub-categories within this: programme evaluation, outcome monitoring, and the BSC. The first involves the monitoring of programme level results and activities through a variety of sources, and is frequently used. Sowa et al. (2004) go as far as to propose a multi-dimensional framework capturing objective and perceptual measures of both capacity (process and structure) and outcomes for both management and programme effectiveness in one multi-level structural equation model.

3.6.3 Aligned performance measurement

A key characteristic of effective performance measurement is considered to be the alignment of performance measures to an organisational strategy and objectives. Zimmerman and Stevens (2006) find a clear link between clarity of objectives and delivery of results. Carman (2007) report that 84% of New York community-based organisations assessed whether they meet their goals. At least two of Moxham's multi-

dimensional models demonstrate alignment as well as diversity. Outcome monitoring identifies the intended outcomes or goals and then measures what impact an organisation makes on its beneficiaries (Benjamin, 2012; Lowe, 2013; MacIndoe & Barman, 2013; Ebrahim & Rangan, 2010). McEwen et al. (2010) show how outcomes were measured at Barnardo's at different organisational levels of service users, long-term outcomes and overall organisational mission. Moxham (2014) also cites the BSC, categorised by Cordery and Sinclair (2013) as a strategic approach (Hough, et al., 2015; Manville, 2007; Speckbacher, 2003). Kaplan (2001, p. 360) though hardly impartial as a co-author of the BSC, argues that the it can be easily adapted for use in the non-profit sector and illustrates its successful implementation in four US case studies. He advises that 'non-profit agencies should consider placing an overarching mission objective at the top of their scorecard.' He concludes that 'the balanced scorecard has enabled non-profit organisations to bridge the gap between vague mission and strategy statements and day-to-day operational actions.' He argues that it allowed the focus to shift from programme to outcomes, aligning all resources, staff, finances, initiatives, to accomplish organisational objectives. Kaplan (2001) also suggests that customers should be divided into two categories: donor and beneficiary. Voelker et al. (2001) put all stakeholders within the customer perspective. Recently, the success of the BSC in the UK charitable sector has been studied in a longitudinal case study into social housing (Manville & Broad, 2013). This is however only one example and research into UK voluntary sector BSC implementations is very limited (Moxham & Boaden, 2007). Greiling (2010) also found limited adoption of the BSC in Germany and Carman (2007) in the US with only 3% of New York community-based organisations using it.

There are a few other examples of strategic approaches in voluntary sector literature. Sawhill and Williamson (2001, p. 385) argue for a family of nine measures which link mission, vision, goals, strategies and programmes of the organisation. They propose concrete and tangible goals

that are specific, challenging and aligned to mission. 'It would be a serious error to imagine that a non-profit can develop effective measures in the absence of strategic alignment'. Epstein and Buhovac (2010) have taken an input/impact model and put it in the context of the mission, strategy and resources available to the organisation. By drawing linkage maps, they identify logical cause-and-effect relationships between inputs and outputs, outputs and outcomes.

3.6.4 Integrated performance measurement

The voluntary sector has several examples of integrated, causal models to assess performance. If fully implemented, the BSC identifies the causal links between its perspectives. However, there is little evidence of the BSC operating in this way in the voluntary sector (Greiling, 2010). Cordery and Sinclair (2013) cite programme approaches as 'cybernetic logic' models including the theory of change (Macpherson, 2001; Buckmaster, 1999; Poister, 2003; Campbell, 2002). Based on public sector models, logic models are designed to measure the efficiency and effectiveness of voluntary sector interventions by comparing outputs, outcome and impacts (Buckmaster, 1999; Kendall & Knapp, 2000; Poister, 2003). Efficiency assesses outputs in relation to inputs, where outputs are the final product of the programme process. Effectiveness measures the outputs against the desired outcomes. Kendal and Knapp (2000) extend the public sector model to incorporate voluntary sector concerns such as equity, advocacy and innovation. While the logic model is commonly cited in literature, Pritchard et al. (2012) found that 80% of UK charities do not actually use any planning model, with only 7% using theory of change and 5% the logic model. Its lack of popularity may be explained by its shortcomings. Gasper (2000) criticises the logic model for a lack of theoretical underpinning. He identified four failings: the illusion of logic,

over simplification, omission of vital bits of information and that is often imposed by funders.

3.6.5 Comprehensive performance measurement

The limitations of cybernetic models are exposed in the management control literature. Organic methods of control, such as social and cultural control, are seen as complementing mechanistic results-based models of performance measurement. This connects well to more qualitative models, described by Cordery and Sinclair's (2013) as participatory and by Moxham (2014) as reputational. Cordery and Sinclair (2013) categorise narrative reporting of stories, outcome mapping and 'most significant change' within participatory approaches. Given the lack of agreement in finding performance measurement models that adequately reflect the values of the third sector, Greatbanks et al. (2010) argue that reporting stories is a method of demonstrating impact that is empathetic to the values of the voluntary sector. Moxham's (2014) reputational approaches include peer review and benchmarking. Purcell and Hawtin (2010, p. 358) observe three cases of peer review, where programmes are evaluated by those 'of equivalent status.' Participants are 'broadly upbeat' (p.36) with feedback being valued as peers could both be more objective by standing back from the operation but were also mindful of the circumstances. While Conley Tyler (2005, p. 220) find very little evidence of the use of benchmarking in Austrian non-profits, she argues that there is great potential for its use, as there are 'particular benefits for human capital processes, which dominate voluntary sector organisations'.

3.7 Healthcare sector balanced scorecards

Although Greiling (2010) and Moxham and Boaden (2007) suggest that there are few examples of the BSC being used in the voluntary sector, there has been extensive research into BSCs in the healthcare sector worldwide. This would suggest that there is no technical reason why the BSC could not be as successful in voluntary sector settings, particularly in healthcare. Zelman et al. (2003, p. 1) argue that 'in healthcare, the balanced scorecard is well into its growth phase.' They show how the BSC could be used at different levels of the industry, from single hospitals to national systems, and across many types of organisation, with diverse missions, products and clinical settings. Gurd and Gao (2007), in their literature review of published BSC case studies in the health sector globally, consider the distinction between public and voluntary sector less relevant than the type of healthcare organisation or location. They investigate what perspectives and measures are actually used in BSC healthcare scorecards. They find that most organisations modified the original four perspectives to their specific needs, such as adding 'people' or 'community', although they are critical that patients were rarely the top perspective. Gurd and Gao (2007) also assess the development of healthcare BSCs against the three generation of scorecards (Speckbacher, et al., 2003; Lawrie & Cobbold, 2004), finding that the majority are second generation, linking cause-and-effect relationships between perspectives. Although Greiling's (2010) research qualifies the extent of technically advanced BSC implementations in Germany, the BSC appears to be an appropriate measurement system for voluntary healthcare organisations including hospices.

Many benefits are claimed by those who have adopted the BSC in healthcare organisations. Inamdar et al. (2002) carried out interviews with nine executives of US healthcare providers and show how they respond to external pressures, such as the need for cost reduction, increased regulation, and the availability of information technology, by implementing the BSC. The benefits stated are consistent with generic literature,

including gaining consensus on strategy, providing a framework for decision-making, aligning initiatives and linking resources allocation to strategy. However, it may be unsurprising that these claims use typical BSC terminology as one of the authors, Kaplan, was the designer of the original scorecard. Direct benefits are cited, not only in financial performance but also in operational measures, such as in health, quality and market share (Gumbus, et al., 2003). Other case studies emphasise the benefits arising from the process of implementation, such as the increased co-operation between clinicians and administrators (Aidemark & Funck, 2009) and the development of a common language (Gumbus, et al., 2003). The BSC has created the opportunity for healthcare organisations to discuss their objectives. 'Customizing the scorecard often sets the stage for strategic conversation to begin' (Voelker, et al., 2001, p. 17). Managers are encouraged to consider wider perspectives, looking beyond external clinical and financial measures to new measures of internal performance (Curtwright, et al., 2000). By linking results to operating activities and then communicating them clearly, managers are able to align goals and 'capture the synergy and commitment of diverse employees' (Gumbus, et al., 2003, p. 54). Aidemark and Funke (2009) reject the top-down approach intended in the original design of the BSC and show the benefits of decentralised management of the BSC with employees engaged at all levels. The flexibility of the BSC is seen as one of its benefits (Voelker, et al., 2001), although Aidemark and Funck (2009, p. 254) endorse Norreklit's cynical comments that it is so flexible it becomes the 'creation of the implementers.'

Research into BSC adoption in the healthcare industry could be self-selecting; only good stories get reported and vary across different geographical and sector contexts. Even within successful implementations, challenges are acknowledged. They are time consuming to implement, demand senior management commitment to be effective, and exacerbate staff fears of being measured, especially if linked to incentives (Aidemark &

Funck, 2009; Inamdar, et al., 2002; Voelker, et al., 2001; Gumbus, et al., 2003). Many experience data collection difficulties, such as timeliness, validity and duplication (Inamdar, et al., 2002; Pink, et al., 2001). Oliveria (2001) argues that a data warehouse of clinical, operational and financial data is needed. Pieper (2005) suggest that the simplicity of the BSC is deceptive, with the complexity beneath it often leading to the creation of new integrated IT systems. Indeed, Curtwight and Stolp-Smith (2000) show how BSC implementation leads to the development of an institutional-wide clinical practice data set at the Mayo Clinic. Some criticism is made of the use of the BSC. More emphasis is put on the diagnostic rather than the strategic use of the BSC with the mission having a low priority, and learning and innovation perspective not being fully utilised (Greiling, 2010; Gurd & Gao, 2007; Kocakülâh & Austill, 2007). Despite being the hallmark of the BSC, cause-and-effect relationships may not be effective in practice (Greiling, 2010). Other challenges are specific to the voluntary sector. Kocakülâh and Austill (2007) suggest that adoption of the BSC in the healthcare sector has been slower than for-profit organisations because of the divergent stakeholder groups involved. Pieper (2005) even recommends developing different BSCs for different audiences.

3.8 Challenges in voluntary sector performance measurement

It is acknowledged that voluntary sector performance measurement systems are ‘challenging and complicated’ (Herman & Renz, 2008). Some of this is due to general implementation problems of performance measurement systems as described above for the BSC. However, others are due to the inherent problems of the voluntary sector, such as lack of a single monetary goal and diverse stakeholder interests. Lynch-Cerullo and Cooney (2011) acknowledge that some voluntary sector organisations have missions that facilitate easier measurement than others, with Carnochan et al. (2014) commenting on how difficult it is to track client progress in many

human service organisations. Being mission-driven, staff experience tensions between caring for clients and the demands of reporting (Manville, 2007).

Research reveals more extensive problems in the practical working of voluntary sector performance measurement. Moxham (2010) argues that such systems can be more of a hindrance than a help to charitable organisations. She shares views held by others, such as Carman (2010)and Buckmaster (1999), that that the lack of a generally accepted model within the sector exacerbates problems. Without accepted terminology or standardised procedures, progress in such a diverse sector is inhibited. Current methods are criticised for being resource intensive and directing funds away from the mission. Ebrahim and Rangan (2014) find that 46% of respondents produce reports at expense of their programmes. While funders drive much of the information requirements (Carnochan, et al., 2014; Ebrahim & Rangan, 2014), they are also not prepared to provide the funding (Carman, 2007). This can result in box ticking rather than producing meaningful information (Moxham & Boaden, 2007) or promoting ritualistic processes (Connolly & Hyndman, 2003).

Others comment of implementation problems, such as a culture resistant to accepting new styles of reporting (Wimbush, 2011; Carnochan, et al., 2014) and the lack of infrastructure to support new approaches (Wimbush, 2011; Micheli & Kennerley, 2005). Many comment on the lack of skills of staff, particularly in IT (Carnochan, et al., 2014; Harlock, 2013). The reliability and validity of information produced is questioned (Buckmaster, 1999; Connolly & Hyndman, 2003) and data can be manipulated. Micheli and Kennerely (2005) suggest that the lack of an integrated framework marginalises information which cannot be quantified. False objectivity is conveyed if only what is measurable is reported. It is easy to measure what is measurable and ignore more subjective qualitative measures. Gasper (2000) calls for those implementing performance systems to consider carefully the purposes for

which they are being used. His research suggests that they became less useful as they move through different phases of programme management from planning, to monitoring and evaluation.

Some recommend narrowing down performance measurement to manageable levels; limited number of measures for specific objectives that are time-bounded and relevant (LeRoux & Wright, 2010). Ebrahim and Rangan (2014) suggest measures should be within the scope and scale of the organisation and under their direct control. Outputs may therefore be more appropriate than outcomes in small organisations. Others broaden performance measurement to promoting a change of attitude and creating models which reflect the whole community and wider partnerships (Atkinson & Maxwell, 2007).

3.9 Comparison with management control theory: a gap in voluntary sector literature on and performance measurement

This literature review therefore demonstrates how there are common themes within the management control and voluntary sector performance measurement literature (see Table 3.2 and Appendix 1). Both seek to control their financial and economic performance through budgets, costing and cost-benefits analyses. Both incorporate non-financial information within their diverse performance measurement systems. There is evidence of performance measurement systems which align performance measures with strategy within both sets of literature. Although the voluntary sector typologies do not identify the integrated nature of the BSC explicitly, there are several examples of causal models. Comprehensive approaches to performance management are recognised in both literatures, such as reputational and participative approaches in the voluntary literature; and social controls in the management control literature.

However, Table 3.2 which compares the literature of management control to that of voluntary sector performance, reveals a gap in the voluntary sector literature. This suggests that the concept of 'control as a package' is yet to be recognised. This is not to suggest that these controls are not operating within voluntary organisations. The characteristics of the voluntary sector – being mission-driven, with multiple stakeholders and complicated governance structures – all hint at more complex control systems operating within this sector. However, the voluntary sector literature has not employed such concepts in its perceptions of how performance measurement becomes effective performance management. This literature review suggests that this is a fruitful avenue of research.

Table 3.3: Management control theory and voluntary sector performance measurement models

Theme	MCS	Cordery and Sinclair (2013)	Moxham (2014)
Financial, monetary	Financial reporting Management accounting systems budgets, costing	Financial/economic SROI, cost-benefit analysis	
Diverse, non-financial	Key Performance Indicators (KPIs) BSC as a dashboard of non-financial measures		Multi-dimensional Programme evaluation
Aligned, strategic	BSC linking strategy/ objectives	Strategic BSC	Multi-dimensional BSC Outcome monitoring
Integrated, causal	BSC strategy map	Programme theory Logic model Theory of change	
Social, cultural	Clan, personnel, cultural control	Participatory/narrative Outcome mapping Most significant change	Reputational benchmarking Peer review impact
Control as a package	Simons' LOC, Malmi and Brown		

Source: Author's interpretation of the literature

3.10 Conclusion

This review of voluntary sector performance measurement literature demonstrates the need for further research, such as the call by Connolly et al.(2015) for detailed case studies. A comparison of the generic performance management literature to that of performance measurement in the voluntary sector also reveals a gap. There are many similarities: voluntary sector performance measurement systems are diverse, aligned to strategy, integrated and comprehensive. However, these literature reviews also suggests that management control as a 'package' (Malmi & Brown, 2008) is yet to be considered. Applying this concept to the voluntary sector may shed new light on how performance is managed within it.

This literature review demonstrates the importance of such research. The voluntary sector, both globally and in the UK, is economically, politically and socially significant. Faced with challenges of changing relationships with the public sector and more competition to raise funds, pressures to account for performance are increasing. It also helps to frame the research sub-questions such as what is good performance, how it is measured and who uses it (Connolly, et al., 2015). The discussion on organisational effectiveness invites us to consider how good performance is delivered and the purposes of performance measurement information. Three themes emerge from the literature: goal attainment; management of resources; and maintaining reputation. These resonate with three of Henri's four (2006) uses of performance measurement information: monitoring performance against goals; appropriate use of resources through decision-making; and enhancing reputation through demonstrating legitimacy and accountability. Together, these help to unpick how performance measures are used to manage performance in the voluntary sector. These will inform the questions in the interview protocol. Generic performance management literature can bring a broader perspective to voluntary sector performance measurement. However, this literature review invites us to consider the difference between the sectors.

Chapter 4: Methodology

4.1 Introduction

This thesis considers how performance is managed in voluntary hospices in the UK, including the role performance measures play and how they are complemented by alternative methods of control. As a qualified management accountant with 15 years in the private sector but who has given financial expertise and time as a volunteer to several voluntary organisations, the researcher is interested in how the two sectors compare in their performance management. The issues that need to be addressed have been identified by carrying out literature reviews of both management control theory and voluntary sector performance measurement. This chapter sets out the research design. First, it clarifies the sub-questions that have been identified to answer the overall research aim. Second, the philosophical stance and the methodology of this research is explained. Third, the research approach is described with details of the research methods used. Finally, it shows how the thematic analysis was undertaken with a view to the quality of findings, its limitations and ethical considerations.

4.2 Research aims and sub-questions

4.2.1 Research aims

To understand how performance is managed in the voluntary sector, literature reviews were undertaken in both management control theory and voluntary sector performance measurement. Management control theory suggests that performance management can be exercised at different levels: by reporting metrics; by building performance measurement systems; taking action as a result of performance reports; and by placing performance measurement in a more complex network of controls. Performance measurement systems are expected to display certain characteristics such as being diverse, aligned and integrated. Recent management control theory suggests that comprehensive

performance management requires more than mechanistic use of performance measures, as these only play a part within a holistic and complex 'package' of controls. By comparing the voluntary sector performance measurement literature to management control theory, gaps in prior research have been identified. First, little research has been carried out into the internal performance management of voluntary sector organisations. While there has been much consideration of external statutory reporting of UK charities, there is limited research into their internal performance measurement. Connolly et al. (2015) recommend that this would be fruitful area of research and suggest that case studies would be an appropriate research method. Secondly, the concept of a package of controls is yet to be explored within the voluntary sector. By using case studies to do this, light may be shed on the limitations of the generic performance management frameworks within this and possibly other sectors.

4.2.2 Research sub-questions

To understand how performance is managed within voluntary hospices, a number of sub-questions need to be addressed. Connolly et al. (2015) in their review of UK charity accounting discuss areas for further research. They call for further studies to determine what is meant by 'performance', how it might be measured and reported and how it is viewed by stakeholders. Different perceptions of what constitutes good performance and how it is best delivered needs to be established. By investigating what performance measures are used, conclusions can be drawn about how effective they are in enabling good performance. This requires an analysis of the different purposes for which performance measurement information is used and which stakeholders are influential in determining the information requirements. Answers to these questions will then shed light on the role that performance measures play in the performance management of hospices and how they are complemented by other methods of control. These questions are summarised as follows:

1) How do voluntary hospices perceive 'good' performance?
2) How can good performance be best delivered?
3) How is performance measured in voluntary hospices?
4) Who and what drives this performance measurement information?
5) For what purposes is hospice performance measurement information used?
6) How does performance measurement information complement other control mechanisms in the performance management of a voluntary hospice?

4.3 Philosophical approach

There are a number of potential research approaches into how performance is managed by voluntary hospices that use both or either quantitative and qualitative methodologies. While these are not dichotomous (Johnson & Duberley, 2000, p. 59), they represent some fundamental differences in the epistemological and ontological positions adopted within research philosophy. Epistemology concerns the source of acceptable knowledge or how we come to know what we know and what constitutes 'warranted' or 'unwarranted' knowledge (Johnson & Duberley, 2000). Ontology is what is considered to be real or the study of existence. Bryman (2012) describes it in the context of social science research as the nature of social phenomenon or whether the social world is seen as something external to social actors or as something created by those actors. As Ryan et al. (2002) ask: is reality constructed or discovered? Very broadly, a quantitative methodology is associated with an empirical epistemology, adopts realism as its ontology, has a deductive approach and seeks objectivity. A qualitative methodology on the other hand is associated with a rational epistemology, adopts idealism as its ontology, has an inductive approach and accepts subjectivity.

The assumptions that the researcher holds regarding the nature of the phenomenon's reality (ontology) affects the way in which knowledge is gained about the phenomenon (epistemology) and this in turn affects the process through which research is conducted (methodology). 'No one can stand outside the epistemological process' and 'there is no aphilosophical space available' (Johnson & Duberley, 2000, pp. 8,9). Therefore, the conscious reflexivity of the researcher is vital, whatever approach is taken (Johnson & Duberley, 2000, p. 4) . Two major research philosophical approaches, positivism and interpretivism, are considered below. Refinements of these two broad schools, post-positivism and post-modernism are discussed. Commentators such as Johnson and Duberley (2000), Creswell (2009) and Bryman (2012) warn of over simplification and there are many variations and contradictions within such analysis.

4.3.1 Positivism

Positivism adopts a realist ontological and empirical epistemological position seeking universal laws that are external and independent of human perceptions. 'The aim of the research should be to identify causal explanations and fundamental laws that explain regularities in human and social behaviour' (Johnson & Duberley, 2000, p. 39). At its most extreme, the logical positivists, argue that truth is only grounded in what we perceive through our five senses (Ryan, et al., 2002). It is derived from the 'correspondence theory of truth' developed by Hume in the 18th century whereby empirical evidence is used to compare theory with an independent reality (Johnson & Duberley, 2000). Deterministic, it looks for causal explanations that can be tested and rejects any metaphysical interpretation of the world. Adopting an objective ontology, positivism is therefore value-free with a researcher taking a detached stance (Bryman, 2012). It is concerned with internal and external validity, reliability, generalisability and operationalisation (Johnson & Duberley, 2000). In social science, positivism often, but not necessarily, employs quantitative and deductive methods attempting to replicate natural scientific methods

within a social science context. It is reductionist in that it condenses ideas to small discrete areas to test with clearly defined variables and hypotheses (Creswell, 2009). Thus, a researcher begins with a theory, deduces a hypothesis, collects data and analyses findings which confirm or disprove the hypothesis.

Post-positivism has emerged in response to criticisms, although this should not be considered a unitary school of thought (Robson, 2011). This accepts that scientists are not neutral, that it is impossible to distinguish the language of observation from theory and that science should deal with more than observable phenomena (Robson, 2011). Acknowledging the fallibility of scientific research, post-positivism is still a deterministic and reductionist philosophy seeking to explain causal relationships (Creswell, 2009). It is still open to criticism as it considers social interactions to be the same as physical elements, thereby 'reducing human behaviour to the product of external forces of the environment' (Johnson & Duberley, 2000, p. 40) often with 'misplaced precision' (Johnson & Duberley, 2000, p. 53).

4.3.2 Intrepretivism

In contrast to the realism of positivism, an interpretivist approach rejects the neutrality of the natural scientist. It is sympathetic with an idealist ontology in that reality is created through social interaction. Bryman (2012) describes its ontology, in the context of social science, as constructionism (or constructivism) which 'invites the researcher to consider the ways in which social reality is an ongoing accomplishment of social actors rather than something external to them' (Bryman, 2012, p. 34). Interpretivists do not accept that there are universal laws and instead envisage social practice as being socially constructed, thus adopting a subjective approach. Individuals attempt to make sense of their experiences so there are multiple interpretations with rich and complex understandings (Bryman, 2012). An alternative school of thought within interpretivism is 'symbolic interaction' whereby 'the individual is

continually interpreting the symbolic meaning of his or her environment (which includes the action of others) and acts on the basis of imputed meaning' (Bryman, 2012, p. 31).The researcher presents a view that cannot be considered definitive. It is accepted that both the researcher and the researched will hold values (Robson, 2011) and make sense of the world based on their historic and social background (Creswell, 2009). While trying to interpret the world from the point of view of their participants, they recognise that their own background shapes their interpretation (Creswell, 2009). There are no prescribed research methods (Robson, 2011) although typically these include qualitative approaches including ethnography, grounded theory, phenomenological and narrative methods (Creswell, 2009). An inductive research method is likely; rather than starting with theory, the research develops a theory or pattern of meaning (Creswell, 2009). An extreme form of the interpretivist approach is post-modernism, which has been described as 'relativism unleashed' (Johnson & Duberley, 2000, p. 91). Rejecting the achievements of the Enlightenment (or modernism) and 'challenging the idea of progress through reason (Robson, 2011, p. 16), symbolic interactionism discards any claim to truth and is 'characterised by randomness, anarchy and fragmentation' (Johnson & Duberley, 2000, p. 92).

4.3.3 Methodologies in accounting and management control research

Accounting research has reflected these ontological debates, with challenges to Positive Accounting Theory being mounted by Interdisciplinary and Critical Perspectives on Accounting in the 1970s (Laughlin, 1995; Broadbent & Laughlin, 2013). This encourages a variety of approaches, seeing accounting research through lenses other than the functional and positivist approaches of economics. Described as 'an ongoing battle for methodological recognition', Parker (2012) claims that progress has been made by qualitative researchers, particularly in

management accounting research. Burchell et al. (1980, p. 6) argued in their seminal article that accounting is 'no longer seen as a mere assembly of calculative routines, it now functions as a cohesive and influential mechanism for economic and social management'. Attention should be payed not to the craft or practice of accounting but to its role in organisations and society. Accounting control systems are an example of how accounting is embedded in social dynamics. They can be a product of political processes within organisations and hence, the roles of accounting are intertwined within the contexts in which they operate. Thus, accounting becomes 'an organisational and social phenomenon, there to be used for a variety of ends by a range of actors' (p.22). For example, Dent (1991) shows how this operated in practice in a longitudinal case study of a railway company, whereby a new culture was established by the changing role of accounting systems.

Research into management accounting systems, later broadened to include management control systems, has had a 'long tradition' of employing contingency theory using survey-based methods (Chenhall, 2003). Otley (2016) cites his definition of 1980 as: 'a contingency theory must identify specific aspects of an accounting system which are associated with certain defined circumstances and demonstrate an appropriate matching.' Functionalist positivist approaches have been dominant in management control research to establish the appropriate 'fit' between control systems and their context, identifying possible independent variables (Otley, 2016). External variables have included three aspects of technology (complexity, task uncertainty and interdependence), environmental uncertainty and competitive hostility, as well as culture, (which is predominantly considered as national differences). Internal variables have included the size of the organisation, structures (eg decentralisation), strategies (seen from a commercial and competitive perspective) as well as reward systems, and employees' participation among many other aspects. A range of dependent variables have been considered of which the most common are performance, effectiveness and

job satisfaction (Otley, 2016; Chenhall, 2003). The purpose is to produce a list of desired characteristics of management control systems for different situations (Otley, 2016).

Advocates of contingency theory, however, now recognise its limitations despite being 'one of the success stories of management accounting research' (Otley, 2016, p. 55). Reflecting on 35 years of management control research that has adopted a contingency approach, Otley describes it as being 'tantalisingly inconclusive' (Otley, 2016, p. 55). He argues that all management accounting research is contingent, or dependent on its context, and suggests functionalist approaches have limited its scope. Chenhall (2005) suggests that there is no contingency theory as such, just many different theories which explain the different conditions in which management control systems operate. He criticises contingency theory as pursuing single themes and unconnected elements of control systems, often with poorly defined constructs and lacking critical mass. Even the notion of organisational performance is not unambiguously defined. In particular, he argues that by only looking at formal systems and ignoring clan and informal controls 'there is the potential for serious misspecification' (p.131). He therefore criticises contingency-based research which 'has relied on traditional functionalist theories and has not applied more interpretive and critical views.' Otley (2016) suggests that 'we are unlikely to ever be able to produce knowledge of a type generated by the physical sciences as our subject matter does not have the stability and uniformity of physical matter nor is it amenable to controlled experimentation' (p.55). He therefore expresses surprise that qualitative research has been slow to develop in this area.

4.3.4 Research methods linked with epistemologies and ontologies

It is useful to draw some contrasts between the research methods associated with different epistemologies and ontologies. Ryan et al. (2002) criticise Burrell and Morgan (1979) for 'collapsing' this to a simple subjective /objective divide but this provides useful clarification. This can be seen in the top half of the Table 4.1 below denoted with * and then extended to include research methods typically associated with the two broad philosophical approaches of positivism and intrepretivism (Ryan, et al., 2002).

Table 4.1 : Research philosophy adapted from *Ryan et al. (2002, p.39; taken from Burrell and Morgan, 1979)

Research philosophy	Interpretivist	Positivist
Ontology*	Individual consciousness	Concrete construction
Epistemology*	Interpretation	Observation
Human nature*	Free will	Determinism
Methodology*	Hermeneutics	Scientific method
'Collapsed to'*	Subjective	Objective
Research approach	Inductive	Deductive
Research methods	Naturalistic, Qualitative	Scientific, Quantitative
Role of researcher	Insider	Outsider

Nevertheless, this can be considered too simplistic. Ahrens and Chapman (2006), in their concern about the conflation of methods and methodologies, argue that qualitative studies can have functionalist (positivist) leanings while both methodologies can use similar methods such as interviews and document analysis. Management control systems need to be studied within their social contexts, or the 'situated

functionality' described by Ahrens and Chapman (2007). As these authors illustrate, this does not mean that contingency approaches need to adopt positivist research methods. Eisenhardt and Graebner (2007, p. 25) argue that inductive and deductive research mirror each other, suggesting that case studies are 'one of the best (if not the best) of the bridges from rich qualitative evidence to mainstream deductive research'. Langley (1999, p. 694) presents seven strategies for theorising from process data on a continuum with a quantification strategy at one end, a narrative strategy at the other but with five more strategies between them. 'Rigid adherence to purely deductive or purely inductive strategies seems unnecessarily stultifying'.

4.4 Research strategy

Given the choice of philosophical approaches, this research has broadly adopts an inductive approach, looking to build rather than test theory, for three reasons. First, as we saw in Chapter 3, there has been very little research into management control systems within the voluntary sector. Tucker (2010) claims that management accounting has made a limited contribution to the debate over improved organisational non-profit performance. As such, a broad and exploratory research approach is needed to begin to understand how control systems operate in a new context. Eisenhardt and Graebner (2007) argue that inductive case studies provide a good opportunity for theory-building where there is no existing theory, such as voluntary sector performance management. A theory-testing approach is likely to limit the understanding at this early stage of research in the voluntary sector.

Second, management control research has been dominated by contingency approaches in the last three decades (Parker, 2012; Otley, 2016). Given the criticisms of its piecemeal approach in identifying a limited number of variables, (Otley, 2016), this research seeks to extend

existing theory inductively, rather than testing it deductively. This thesis argues that a comprehensive approach is needed within management control, by considering it as a package of many different types of control. By considering this within the new context of voluntary sector organisations, management control theory will be extended. Otley specifically comments on the lack of studies into management control systems that take a holistic view of whole systems. He concludes that 'more insight will probably be gained, especially in what are early days in studying complete control systems in their entirety by field studies of a small number of organisations in some depth and preferably over time' (Otley, 2016, p. 55).

Third, this research endorses the view that the research methods must consider multiple perspectives, as performance management systems are part of complex processes that influence and are influenced by the context in which they operate. Qualitative data is likely 'to offer insight into complex social processes that quantitative data cannot easily reveal' (Eisenhardt and Graebner, 2007 p 26). It is highly suitable for research into the voluntary sector where missions describe values rather than pounds; where 'what is important cannot always be counted' (Parker, 2012, p. 55). It seeks 'a holistic understanding and critique of lived experiences, social settings and behaviours' (Parker, 2012, p. 55). This research is trying to understand not simply what performance measures are used, but how they impact on the case organisations and their stakeholders and what alternative forms of control are employed. It concerns the interactions of social actors and control systems as well as their relationships with each other. 'Rich, contextualised understandings and critique of management and accounting processes and structures are what we are about' (Parker, 2012, p. 55). It sets out to appreciate multiple perspectives and gain insight into intangibles, such as belief and values, and thus 'unpack the informal, implicit embedded motivations and behaviours that lie beneath the surface of formal accounting and control systems' (Parker, 2012, p. 60).

However, as Langley (1999) argues, 'sense-making' of organisational processes can close the gap between data and theory and may often iterate between them. Rather than beginning with no theory, this research extends and combines theory from both management control and voluntary sector literatures. Langley (1999 p 694) pictures this as the challenge of 'moving from shapeless data spaghetti toward some kind of theoretical understanding that does not betray and richness, dynamism and complexity of the data'. Of her seven strategies, visual mapping strategy has some resonance with how this research is undertaken. While it does not plot events, decisions and activities in a causal map, it does begin with a picture as an intermediary step between raw data and abstract conceptualisation. This is an 'organising strategy' (Langley, 1999) where data is presented in a systematic way. Prior theory informs the collection of data but that qualitative data is used to extend theory. It is intended to strike a balance between accuracy (staying close to the data and acknowledging the complexity of rich data) and simplicity (developing theoretical generalizations.)

4.5 Middle-range thinking

To achieve this balance, this research is specifically adopts the middle-range thinking of Laughlin (1995). It is set in the context of prior theory, at least at a general level of management control. Two frameworks (Ferreira & Otley, 2009; Simons, 1995) provide a theoretical backdrop. However, such theories need extending within the new context of the voluntary sector. It is therefore appropriate to take a middle-range approach whereby the 'flesh' of voluntary sector performance measurement can be put on the management control 'skeleton'. Otley (2016) has recently specifically recommended both Broadbent and Laughlin's middle-range thinking and Simons' levers of control within management control research. This is compatible with Eisenhardt and

Graebner's (2007) argument that multiple case studies convey both emergent (including extended) theory and the empirical evidence which supports it.

Middle-range thinking is advocated by Broadbent and Laughlin (Laughlin, 1995; Broadbent & Laughlin, 2013; Laughlin, 2004) as an appropriate method of researching accounting control. Broadbent and Laughlin (2013) set it in the context of ontological debate, arguing that this is located between Comtean and Kantian/Fichtean positions. Comteans hold a positivist ontology, assuming that a complete, all-encompassing theory can be found. The Kantian/Fichtean position, on the other hand, rejects such prior theory and derives theory only from empirical investigation, such as in grounded theory (Laughlin, 1995; Broadbent & Laughlin, 2013). Laughlin (2004, p. 270) argues that there are 'conceptual patterns, but even though meaningful they will always be partial and incomplete', therefore rejecting the possibility of grand theories but equally wishing to have more than the ungeneralisable description of some interpretivist research. For example, he argues that 'empirical (variable) data is always important' (Laughlin, 2004, p. 270). Middle-range thinking recognises 'a material reality distinct from our interpretations while at the same time does not dismiss the inevitable perceptive bias in models of understanding' (Laughlin, 1995, p. 81). It also recognises that generalisations about reality are possible, even though not guaranteed to exist. He therefore describes these as skeletal theories but nevertheless argues that empirical detail is important to make them meaningful. He continues the metaphor suggesting that the skeleton is stable but incomplete so that the empirical flesh can be put on the bones to make the whole being (Laughlin, 1995). The framework is therefore not to test theory but to provide a language 'to enable discursive processes to develop understandings of the social world' (Broadbent & Laughlin, 2014, p. 258). Methodology likewise sets skeletal rules that 'provides an outline of the process but cannot determine the methods in detail' (Broadbent &

Laughlin, 1997, p. 625). It rejects prescriptive methods but accepts that some generalisation may be possible. Thus, 'in middle-range thinking there is a reflexive relationship between the theory and the empirics' (Broadbent & Laughlin, 2013, p. 56). They argue that documents and interviews rather than questionnaires (Comtean) or observation (Kantian/Fictean) are appropriate within middle-range thinking (Laughlin, 2004; Broadbent & Laughlin, 2013); see Table 4.2. Both of these are included in this proposed methodology.

Table 4.2: Middle-range thinking (Laughlin, 2004)

	Complete	**Skeletal**	**None**
Prior theory	All defining theory	Skeletal theory	Ignore theory
Role of observer/ subjectivity in empirical engagement	Minimise	Structured	Complete
Methodological	Positivist/realist	Critical/discursive	Interpretivist
Data/narrative	Quantitative	Qualitative	Qualitative
Data collection / method	Documents Questionnaires	Interviews Documents	Interviews Observation

This research however stops short of adopting the full Habermasian approach described by Broadbent and Laughlin (1997) and used in their own research into GP and local education authorities. Only two of the three discursive stages have been taken. In the first stage researchers, as the 'prime actors,' use semi-structured interviews to gain an understanding of the social and historical context but are guided by a theoretical framework using Ferreira and Otley's PMCS and Simons' LOC frameworks. During the second stage, all participants gave their views in a discursive process to gain insights into the empirical situation (Broadbent & Laughlin, 1997, p. 628) using the theoretical frameworks to provide a language and shape the discussion. In the final stage, but not part of this research, participants can adopt strategies where they feel they are appropriate to effect real change. This research gained some insight into final 'stage of enlightenment' (Broadbent & Laughlin, 1997, p. 643) 'whereby actors develop their own understandings and solutions and reflect on their own activities and practices'. Feedback was given to the finance director of one case who asked for help with the development of performance measures and negotiation with commissioners. There are therefore some methodological limitations. It is hoped that it can 'promote understanding and change in accounting systems in organizational contexts and thus facilitate their design' (Broadbent & Laughlin, 1997, p. 640) but this has not been fully achieved through the emancipatory third stage of the Habermasian process.

4.6 Research methods and research process

Voluntary hospices are chosen as a sub-sector of the UK voluntary sector as they are a clearly defined group and share many characteristics of the sector as a whole, as discussed in Chapter 1. A definitive list of English and Welsh hospices is provided by their umbrella organisation, Hospice UK (formerly Help the Hospices). Hospices are simultaneously facing funding pressures, increased demands for their services and changing relationships

with the public sector (HospiceUK, 2017). Hospices share many performance measurement issues with the voluntary sector as a whole, such as amorphous missions, shared outcomes and multiple stakeholders.

The research for this thesis has two phases. The first phase of the study establishes an overview of the sub-sector as there has been very little academic research into accounting within hospices. This answers the first three sub-questions using data for all 148 hospices in England and Wales with an income of over £1m. First, by considering the aims of the hospices, what is perceived to be good performance can be identified. Second, hospice strategies reveal how they go about delivering such success. Third, by understanding how they measure success, the specific performance measures used across the sub-sector can be analysed. The second phase seeks to understand how the performance measures are used in practice and in what ways they contribute to managing performance in the hospices. This addresses the final three sub-questions: for what purposes is the performance measurement information used; who and what drives it; and how does this contribute to the overall management of the hospice. As this requires a depth of understanding, five hospice cases are studied in detail.

4.6.1 Hospice performance measurement as a sub-sector

Two alternative research approaches were considered to gain an overview of the hospice subsector and answer the first three sub-questions. A survey could be sent to key stakeholders of English hospices or alternatively, an analysis could be carried out on their statutory returns to the Charity Commission. In this thesis, (as justified below), the latter was chosen as the most likely to generate a reliable and valid synopsis of hospice performance measurement information. Analysis of statutory returns to the Charity Commission can be completed using the SIRs which were required for all English and Welsh charities with an income of over £1

million up to 2014. The SIRs include several questions regarding the charities aims, strategies and mission; their annual objectives and achievements; how they measure performance and their plans for the future (see Appendix 2). Analysis of the voluntary hospice SIRs has several advantages over completing a survey, easily meeting three of Scott's four criteria of authenticity, credibility, and representativeness (cited by Flick, (2009). As SIRs were required by the regulator, they are authentic and credible with an average of five hours being taken to complete them by the average charity (Charity Commission, 2007), considerably longer than might be expected from a speculative request for survey responses. They are a complete sample because they were a statutory requirement until recently and are accessible on the Charity Commission website. Silverman (2010) advocates using 'naturally occurring data' or publically available information as it can throw up things not previously considered by the researcher. These considerations outweigh the disadvantage of not being able to ask further questions. Scott's fourth criterion is meaningfulness (Flick, 2009), and by using SIRs with predetermined questions, this may be more limited than using a survey designed for this specific research. However, further questions are addressed within the second phase of the research. A list of all hospices in the UK, prepared by Help the Hospices (2010) to analyse hospice expenditure and income by major category for the previous five years, was used to find hospice details. A further advantage of using the SIRs for the initial analysis is that they follow a very similar format to the Ferreira and Otley (2009) PMCS. As shown in Chapter 2, the framework demonstrates how mission needs to be aligned with strategy and key success factors aligned with performance measures through SPMSs. Answers to six of eight SIR questions (including a charity's aims, strategies, performance measures and achievements) map with a good degree of coherence to the Ferreira-Otley's (2009) PMCS framework (see Table 4.3 below).

Thematic analysis of the SIRs of all UK voluntary hospices with an income over £1m in 2012 was carried out. The SIRs and TARs of these hospices were downloaded from the Charity Commission website for 2012 and 2013, totalling 148 hospices. Thematic coding was derived from the hospices' own perspectives on their aims, strategies, measures and performance.

Table 4.3: Mapping of Ferreira and Otley PMCS (2009) to SIR questions

Otley (1999)	Ferreira and Otley (2009)	SIR questions
	Vision	Question 1 - What are your charity's aims?
	Key success factors	
Strategies/plans	Strategies/plans	Question 3a - The charity's strategy What are the key elements of your charity's medium to long-term strategy?
Processes/activities	Organisation structure	Question 8 - The charity's governance How does your charity ensure that its governance arrangements are appropriate and effective?
Performance measurement	Key performance measures	Question 3b How does your charity measure the success of the strategy?
Targets	Targets	Question 4 - What were your charity's main annual objectives and were they achieved?
Information flows/feedback	Performance evaluation	Question 3b How does your charity measure the success of the strategy?
Reward systems	Reward systems	
	PMS use, change, systems, strength/coherence	

Source: Author's own analysis

By coding individual SIR questions, thematic analysis could then be carried out across the questions. Themes include service provision/palliative care; values; finance; relationships with partners; families; skills of staff; volunteers; commitment to research and education; and types of performance measures used. First, this looks for alignment between aims (question 1), strategies (question 3a), and objectives and achievements (question 4). This results in a data set of 5,476 coded items. Comparisons are also drawn between how hospices consider they measured their strategies (question 3b) and how they report their achievements in 2013 (question 4). Finally, the hospices' annual plans (question 7) declared in their SIRs of 2012 are compared to what objectives and achievements they reported (question 4) in the following year, 2013. Berg (2007) advises not to reduce such an approach to a quantitative process by counting the frequency of data, so while themes were compared across questions to find the numbers of hospices, a blend of approaches are used to establish an overview of the sector. The TARs of 2013 were also compared to the SIRs of 2013 to determine how aims, strategies, objectives and achievements are reported in both documents and whether this varied by the size of hospice. This categorises whether each hospice has reported similar or different aims, strategies, objectives and achievements in their TAR and whether the TAR had more, less or the same level of detail as the SIR. This could also be used to assess the claim of duplication between the SIRs and TARs made by Lord Hodgson (2012).

4.6.2 Case studies of hospice performance management

Phase 2 of the research compares the findings from the SIRs of the 148 hospices in England and Wales to actual practices within five individual hospices by carrying out case studies. It is designed to answer all six sub-questions, including the purposes and drivers of performance measurement information. Eisenhardt and Graebner (2007) argue that

case studies provide a highly suitable method for theory building with their rich empirical descriptions derived from a variety of data sources. 'The theory is emergent in the sense that it is situated in and developed by recognizing patterns of relationships among constructs within and across cases and their underlying logical arguments' Eisenhardt and Graebner (2007 p 25). Case studies are widely considered the most appropriate research method to address the 'how' and 'why' questions (Yin, 2009) and in particular, both Broadbent & Laughlin (1997) and Otley (2016) recommend the use of case studies for understanding management control. Cooper and Morgan (2008, p. 161) comment on its particular relevance to the accounting field as 'case study research is extremely useful in raising questions, highlighting issues and developing and testing theory, and providing guidance in solving problems'. They advocate 'phronesis' or practical wisdom in applying technical knowledge with a specific purpose in mind, such as how to use measures to manage a hospice. Cases enable the study of performance management, as a complex social phenomenon, with interactions between different stakeholders and the context in which they operate. Eisenhardt and Graebner (2007) argue that cases studies emphasise the rich, real world context unlike laboratory studies which isolate the phenomena from their context. The case study method allows investigators to retain the holistic and meaningful characteristics of real life events.' Yin (2009, p. 40) suggests that they are most appropriate where there is a contemporary, as opposed to a historic, setting and where the researcher cannot control the behaviour, such as in an experiment. Both cases and surveys fulfil these criteria but a case study allows for the richness of the phenomenon to be studied in its real-life context, unlike a survey. 'The major strength of case study data collection is the opportunity to use many different sources of evidence' (Yin, 2009, p. 114). Moreover, using multiple cases evidence can also be more compelling, offering across cases as well as within case comparison (Yin, 2009).

Moreover, there have been specific calls for more case research in both management control and in the voluntary sector. Otley (2016) argues for a holistic view of management control systems gained through field studies. Connolly at al. (2015, p. 176) in their discussion about further research into UK charity reporting acknowledge that useful research has been done on the broad area of performance measurement citing Cordery and Sinclair (2013). However, 'detailed case studies focusing on the impact in specific contexts would aid understanding and have potential to support charities in delivering their core mission.' Analyses of the first five sub-questions contribute to understanding the role of performance measures in managing hospices and what other controls operate. Rich insight is gained by understanding the perspective of different stakeholders within hospices. Therefore, twenty-five semi-structured interviews were carried out with members of the senior management teams and trustees. Both internal and external documents were analysed in all five hospices.

The significant advantages were weighed up against the disadvantages of using case studies. Yin (2009) identifies several concerns, of which 'perhaps the greatest concern has been over the lack of rigour of case study research' (Yin, 2009, p. 14). Another criticism is generalisability which is addressed, along with reliability, at the end of this methodology. Access can be difficult as the demands of case study research are higher on participants than either a survey or structured interviews. Indeed, two hospices chose to withdraw even though access had been granted due to the sensitivity of issues they faced. Yin (2009) also describes it as 'one of hardest types of research' as it demands that the researcher is a good listener, can create good questions, is flexible but not vague and has a good grasp of the issues at stake. As little prior research has been carried out into case studies of hospices, these disadvantages are outweighed by the depth of insight such studies bring in complex situations, such as managing a hospice.

4.6.3 Case selection

Five hospices were selected by purposive sampling. They have been called after famous nurses (Barton, Cavell, Guinness, Nightingale and Seacole) in this study to preserve their anonymity. It is a strategic selection but is neither 'convenience' sampling nor 'probability' sampling, so will only allow for theoretical generalisation rather than generalisation to a population (Bryman, 2012). As Ritchie and Lewis (2003, p. 78) say, 'the sample units are chosen because they have particular features or characteristics which will enable detailed exploration and understanding of the central themes and puzzles the researcher wishes to study.' As the cases are used to develop not test theory, they are never intended to be representative (Eisenhardt and Graebner,2007). However, as Hammersley and Atkinson, (2007, p. 30) acknowledge: 'the role of pragmatic considerations must not be underestimated in the choice of setting' (such as travel costs). In practice, the first hospice was approached by the thesis supervisor, two more hospices cases were found through personal contacts, and the final two responded to a request made via the Charity Financial Directors' Group to their members. However, they fulfil the criteria of having a range of size (measured by revenue, number of employees and volunteers) and different proportions of sources of funding (from statutory income, donations and trading revenue). The hospices have recently experienced different degrees of financial stability measured by surpluses and reserves. In addition, each hospice has a different history and socio-geographical setting. See Table 4.4 with further comparative details given in Chapter 5. This allows for an embedded case study design (Yin, 2009) whereby the five cases are part of a broader context of analysis, that of hospices generally. Multiple cases allow for replication logic (Yin, 2009) which can show either similar or contrasting results. They also 'create more robust theory because the propositions are more deeply grounded in varied empirical evidence' (Eisenhardt and Graebner,2007 p27), along with broader exploration of research questions and theoretical elaboration. They argue that adding three cases to a single offers 'four

times the analytic power.' Thus, a skeletal framework developed from the literature can be 'fleshed out' with insights from within the case hospices.

Table 4.4: Case selection

Hospice cases	Barton	Cavell	Guinness	Nightingale	Seacole
Total revenue	£5-7.5m	£5-7.5m	Over £10m	£5-7.5m	£7.5-10m
Approx. % statutory income	30%	20%	15%	40%	40%
Net assets	Over £10m	£5-7.5m	Over £10m	£5-7.5m	£7.5-10m
Surplus	Over £1m	-	£0.5-1m	£0.5-1m	-
Unrestricted funds	£7.5-10m	£5-7.5m	£7.5-10m	£5-7.5m	Under £5m
Numbers of employees	Over 150	Over 100	Over 300	Over 150	Over 100
Numbers of volunteers approx.	1,000	600	2,500	400	400

Case selection source: Charity Commission financial statements

4.6.4 Semi-structured interviews

'The qualitative research interview attempts to understand the world of the subjects' point of view, to unfold the meaning of their experiences and uncover the lived world prior to scientific explanation' (Kvale & Brinkmann, 2008, p. 1). This is considered an appropriate method of understanding how performance is managed from the different perspectives of those who actually manage the hospices. A set of interviews from the first hospice, Barton, was carried out between January

and May 2014 with the other case hospices being visited between January to July 2015. Semi-structured interviews were chosen as the most effective form of interviews, steering 'between the free spontaneity of a non-method approach to interviewing and the rigid structures of an all-method approach' (Kvale & Brinkmann, 2008, p. 16). Interview questions were guided by both the findings of the SIR/TAR analysis and the literatures of performance management and voluntary sector performance measurement. In particular, the interview protocol was loosely designed round Ferreira and Otley's PMCS (2009) framework in Chapter 2, giving structure whilst allowing discretion for the interviewer to develop questions and probe deeper while the interviewee still has freedom to elaborate on his/her understanding (see Appendix 3). An initial interview protocol was tested with the hospice, Barton, and then was refined and used in the four other cases. One particular area was redefined: the meaning of one of the uses of management information, attention seeking, was clarified in subsequent interviews. A delicate balance was struck between being guided by the interview protocol and allowing new insights to emerge from the interviewees as a 'guided conversation' (Yin, 2009, p. 106). A standardised interview would have allowed no deviation from the set questions, in terms of content, order, clarification or language while an unstructured interview would give respondents total freedom of direction (Berg, 2007), risking key questions not being addressed.

Morris (2009) argues that a semi-structured interview is closely associated with a constructivist ontological position, exploring subjective meaning. Therefore, the researcher has to acknowledge that she is inevitably part of the process of creating meaning. Kvale and Brinkman (2008) use the picture of two faces, which create a vase to illustrate how new meaning is generated by the social interaction of interviewer and interviewee. This idea is developed further as they draw the contrast between a miner digging for uncontaminated knowledge that already exists and the traveller who is creating the knowledge through the conversations on his journey. They advocate a position of 'deliberate

naivete' or 'presuppositionlessness.' The interviewer needs to be curious, sensitive and open to unexpected phenomena, involved but maintaining 'professional distance' (Kvale & Brinkmann, 2008). Fontana and Fay (1994) argue that the researcher must balance the needs of gaining trust while not influencing interviewees. Care was taken to ask open, non-leading questions with active listening to allow depth through probing initial answers more deeply. While all questions within the interview protocol were covered, the depth and probing varied between the different participants.

As the interviewees were senior managers or trustees, who can be considered to be 'expert' interviewees, they are less likely to be influenced by the social interaction of a semi-structured interview. The asymmetry of power between the interviewee and interviewer can tip the other way, with respondents taking control of the agenda for their own 'rhetorical' ends, using publication to put across particular views. They can also jump between expert and personal roles and involve the researcher in other conflicts within the field (Flick, 2009). The power asymmetry was balanced through the knowledge of the researcher – relevant in this case where the research is bringing fifteen years of professional experience to a new setting. A specific dilemma related to this research when dealing with experts is how far to clarify the theoretical underpinnings of the research. The Ferreira and Otley framework was implicitly discussed as it framed many of the questions but Simons' LOC was not referred to, even by implication. Berg (2007) in his dramaturgical view of interviews, illustrates the roles a researcher needs to play: as an actor trying not to give away unintended judgements; as a director remaining 'outside' the performance; but also as a choreographer maintaining control over the whole process. Another concern with 'expert' interviews is the limited time interviewees may be able to offer. Here the interview protocol helped to keep the interview focused.

The interviews took place in the 'natural setting' (Creswell, 2009) of the interviewees – always on the site of the hospice and invariably in their

own offices. The interviews were arranged by the primary contact (gatekeeper) with the hospice (or his/her secretary). In two cases this was the CEO, in a further two the finance director and in one case, the care director. The researcher requested that there was at least one trustee, the CEO and a senior manager representing each of the finance, care and business functions. This was achieved with the exception of two care directors who were about to leave their jobs. The trustees in these cases however came from a medical discipline. A participant information sheet and consent form were emailed to every participant ahead of the meeting see Appendix 4). This explained the purpose of the research, the researcher's background, the ethical approval and what was expected of them as participants. (Ethical considerations are addressed later). All but one interview lasted between one and two hours each (see Appendix 5). All were recorded by audio and transcribed later with notes being taken at every interview. Feedback was given to the finance director and her information systems manager at one hospice after all the interviews and the findings had been completed. This not only enabled both the interviewees to benefit from the research but also sense-check the findings with experts.

4.6.5 Documentary analysis

A wide range of documents were analysed for each hospice, including internal and external reports (see Appendix 6). External documents include statutory returns to the Charity Commission, such as TARs, SIRS and financial statements as well as those requested by funders, in particular clinical reports for the CCGs. The case hospices have also chosen to make public performance information such as impact reports and annual reviews as well as general information on their websites including Care Quality Commission (CQC) inspection reports. Internal documents are wide ranging including strategies, operational plans, financial and operational reporting. Other documents implicitly reveal how

performance is managed, without reporting performance measures explicitly such as organisation charts (which define roles and responsibilities) and strategy plans (which determine acceptable operational behaviours). A comparison of external and internal documents generated insights into how the hospice chose to present its performance to different audiences. As Yin (2009) states, the researcher is a 'vicarious observer' and therefore it is important to understand why certain documents were written and the audience for whom they were intended.

4.7 Analysis of case study data

The mass of unwieldy and messy data generated by interviews and documents in any case study presents difficulties of reduction; 'a mix of creativity and systematic searching, a blend of inspiration and diligent detection' (Ritchie & Lewis, 2003, p. 199). Robson (2011, p. 466) also makes clear that there is 'no clear and universally accepted set of conventions for analysis', unlike quantitative research. Yin (2009) stresses the need for an analytic strategy before data is analysed. He comments that case study analysis tools are the least developed and analysis the most difficult aspect of this methodology. Of the strategies he offers, relying on theoretical propositions with a well-thought out strategy in line with the original research design are the most suitable here (rather than additional quantitative analysis or mere 'descriptive' framework). This is consistent with middle-range thinking, whereby a skeletal theory is fleshed out by empirical findings (Broadbent & Laughlin, 2013). Thematic analysis in this research draws upon, but is not limited to, the frameworks of Ferreira and Otley (2009) (PMCS) and Simons' (LOC) (1995) as well as voluntary sector performance measurement models. Eisenhardt and Graebner (2007) give practical advice in theory-building from multiple cases by starting with emergent theory and then pattern-matching the empirical evidence to each proposition within the theory.

The case study material is analysed in line with Ritchie and Lewis' (2003) thematic framework, first identifying substantive ideas from the literature and sorting the raw data by coding in NVivo. Codes (nodes) were grouped into hierarchies and are a mixture of processes (such as strategic planning), personal experiences and motivations, events (such as meetings) and relationships. These were then grouped and refined into themes to achieve emergent explanations. A dilemma facing the qualitative researcher in interpretation is the balance between remaining 'true' to the raw data while creating abstract theories and explanations. Ritchie and Lewis (2003) illustrate this clearly with their 'analytic hierarchy', moving up and down from the mass of unwieldy data to descriptive accounts, incorporating the original words of participants and finally to an explanatory account in which linkages are formed to 'make sense' and create theories. A further issue is how far concepts are manifest, expressed explicitly by the interviewees, or latent being only revealed through the interpretation of the researcher. This process was iterative, within and across case studies, but ensuring the context in which data was collected is not lost to give 'shape' to data 'without doing violence to them' (Ritchie & Lewis (2003), citing Richards and Richards p252).

After the first study, themes were identified from the six initial semi-structured interviews and input as nodes on NVivo. This was written up as a descriptive case study. A further nineteen interviews were then carried out at four more hospices. The original codes (or themes) were used and a further 11 codes added. The first study was therefore revisited (although not re-coded on NVivo). The first four sub-questions were identified separately on NVivo enabling cross-case and cross-function comparisons and were summarised in tables in word documents. This reflects Yin's concern to have coding based on the original research questions. However, to answer the more substantial question of how measures are used to manage the hospices, NVivo codes (see Appendix 7) were grouped together by emergent theme, reflecting the broad headings of the LOC framework being used as 'sensitizing concepts' (Bryman (2012,

p. 388), citing Blumer). These were then analysed further using word documents, thus taking an inductive approach. It was less structured than Yin's coding in line with predetermined theories and a number of challenges were encountered. There were many duplications (as NVivo allows the coding to two or more nodes) as well as overlaps between themes and processes. There were therefore several iterations – first coding, second grouping by lever and third identifying links and overlaps with other levers. While the LOC enabled categorisation of most codes, some did not fit neatly into Simon's framework. All citations were then colour-coded on the full interview transcripts to ensure completeness and relevance within its context. The interviews were reread again following the writing-up of the findings to provide a contextual and comprehensive check. Memos were written at every stage of the process – immediately after interviews, during coding and throughout the data analysis.

4.8 Ethical considerations

There are significant ethical considerations within this research, given the highly sensitive nature of hospices. Ethical approval was sought and granted by the University of Bristol Ethics Committee in January 2014. All participants were given a participant information sheet (see Appendix 4), explaining the nature and purpose of the research and their role within it. They received a copy of the interview protocol ahead of their meeting. Their written consent was given for recording the interviews on audio-tape and for the transcription of the tapes. They were given the opportunity to withdraw at any stage of the research. To preserve their confidentiality, code names have been used for all hospices and their staff referred to by generic job titles to ensure anonymity. The analysis ensures that the identity of any hospice cannot be inferred. All internal documentation, such as strategies, plans, budgets, key performance data and donor reports have been stored securely. While formal procedures have been observed, Hammersley and Atkinson (2007) also emphasize that ethical

considerations are not merely about fulfilling certain routines. A continual balance must be struck between the importance of the research and potential harm to participants. Working within hospices can be highly sensitive and emotional situations can be potentially damaging. Relations between management and trustees, donors and even the general public concern how the external information is presented. Revealing internal information and processes may have detrimental effects on a hospice's reputation. Continual reflexivity is essential, not only in how the researcher's own presuppositions affect how the data is interpreted but in consideration of the impact of those conclusions on participants. Risks and benefits have been considered throughout, in line with Murphy and Dingwalls' four principles of non-maleficence, beneficence, autonomy and justice (cited by Flick, (2009).

4.9 Quality: generalisability, validity, reliability

Generalisability is a significant issue for the quality of case study research as discussed previously. However, representative generalisability (a quantitative approach) is not the only method; theoretical and inferential generalisability are more appropriate (Ritchie & Lewis, 2003). Explanations within one hospice setting can be used to explain patterns of behaviour in another, either by considering its fit with existing theory or inferring its transferability. By having five comparative cases, theoretical and inferential generalisations can be made across hospices and possibly the wider voluntary sector. Questions of validity and reliability are addressed by two sets of thinking: first, reliance on procedures and criteria to judge quality of the research or the abilities of the researcher; and second, the integrity of the researcher. Both were employed in this research. While Yin (2009) suggests that 'construct' (process) validity is weak in case studies as set procedures are ill-defined, he stresses the need for using multiple sources, establishing a 'chain of evidence.' By using semi-structured interviews and documentation analysis, such a chain of

evidence was established. 'External' validity relies on using multiple methods through triangulation. With the replication logic of multiple cases as well as multiple sources, reliability is enhanced. In this research, case study findings are also set in the context of the overview provided by the review of the hospice SIRs and TARs. 'Internal' validity ensures appropriate causal relationships are achieved through checking consistency of methodologies in each case study. Ahrens and Chapman (2006) take issue with Yin's approach, arguing that his triangulation is problematic and merely a metaphor. Nevertheless, in their arguments for plausibility (rather than reliability), they accept using multiple methods as one means to enhance it. In addition to ensuring good practice, Morse et al. (2002) call for a return to rigour in qualitative research, not relying on external standards and checks at the end of the research but placing responsibility on the researcher for verification strategies throughout the research. Reflexivity of the researcher remains key, acknowledging her epistemological position. 'An ethical approach acknowledges this (perspectival nature) and provides the audience with explicit statements about where the author is coming from' (Altheide & Johnson, 1994, p. 495), including the relationship of the observer to the observed such as observer bias and relationships, the context and the role of the reader.

4.10 Conclusion

This chapter has set out why an inductive methodology is appropriate to research the question of how voluntary hospices use performance measures to manage their operations. It sets out how the sub-questions address the overall research questions and how the research strategy and methods propose to answer them. To understand the complexity of performance management, a rich and contextualised analysis is needed, drawing on the different perspectives of key stakeholders. Thus, it needs a nuanced approach to gain a depth of understanding. This research is being carried out in the context of management control theory and voluntary sector performance measurement literature. By adopting

middle-range thinking, a skeletal framework is developed and then fleshed out using the findings from voluntary hospices. Thematic analysis is carried out on the statutory returns of English and Welsh hospices to establish an overview of this sub-sector. Case studies then consider the more complex questions of how hospices use measures to manage their performance. This provides the qualitative data to 'flesh' out the skeletal framework to build a new performance management framework for the voluntary sector.

Chapter 5: Developing a skeletal framework

5.1 Introduction

English and Welsh voluntary hospices were chosen as a sub-sector of charities to investigate how measures are used to manage performance as they share many characteristics to the charity sector as a whole. To establish an overview of the sub-sector, the first phase of the research analyses the SIRs and TARs, part of the statutory returns, of 148 English and Welsh hospices. The mapping of the SIR questions to Ferreira and Otley's PMCS (see table 4.3) demonstrates a common approach to understanding mission, objectives, achievements and performance measures. The framework emphasises how mission needs to be aligned with strategy, and key success factors with performance measures, extending a model devised by Otley in 1999. Moreover, strategic advantage is gained through integrating goals, strategy and operations through strategic performance measurement systems (SPMSs.) The SIRs are therefore analysed by using the characteristics of performance measurement systems discussed in chapter 2: diversity, alignment and integration.

In chapter 3, UK charities are criticised for not reporting higher performance measures of efficiency and effectiveness in their statutory reports to the Charity Commission. Public sector models have been used to assess how far measures of efficiency and effectiveness have been reported to the Charity Commission. Using this prior research, comparisons can be drawn between how hospices report their performance in their SIRs and TARs to the charity sector as a whole. This research also considers how charity performance may be viewed from a management control perspective. It questions whether efficiency is a meaningful method of assessing a hospices', or indeed any charity's, performance. By employing Ferreira and Otley's (2009) Performance Management and Control System (PMCS), effectiveness can be assessed by considering strategic alignment

or the fulfilment of strategy through the achievement of objectives and measurement of performance.

Combining this analysis with the literature from management control, voluntary sector performance measurement and accounting research methodologies enables the development of a skeletal framework which informs the second phase of the research. Adopting middle-range thinking (Broadbent & Laughlin, 2013), this skeletal framework can provide the language to make sense of voluntary sector performance management. This chapter then introduces five case hospices, used as units of analysis within the embedded case study. These provide the qualitative data, putting the 'flesh' on the skeleton, from which a full framework for the performance management of hospices can be drawn.

5.2 Hospice performance measurement: findings from SIRs and TARs

To understand performance measurement in UK voluntary hospices as a sub-sector, the statutory returns for hospices in England and Wales are analysed. As described in Chapter 4, SIRs were required by the Charity Commission up to 2014 for all English and Welsh charities with an income of over £1 million. Despite criticisms of the SIRs that they duplicate information provided in the TAR (Hodgson, 2012), they were selected as the most useful source of information to analyse hospice aims, strategies, objectives and achievements, and measurements. This accounts for 148 of the 172 voluntary hospices identified by Help the Hospices (2010) in their analysis of hospice accounts. The TAR provides less useful comparisons as it does not include standardised questions but leaves interpretation open to the charity on what to report, guided only by loosely defined principles in the 2005 SORP (Charity Commmission, 2005). The SIRs ask hospices specifically how they measure the success of their strategy (Question 3b) and how their achievements compare to prior plans (Question 4), neither

of which are required in the TAR. These are used to address the first three sub-questions of the research: what is considered to be good hospice performance (aims); how is it best delivered (strategies); and how is it measured. Hospices interpret the latter question in two ways: what processes are used and which performance measures are reported. These are consistent with Ferreira and Otley's (2009) questions 1 (mission and vision), 4 (strategies and plans) and 5 (key performance measures) targets and performance evaluation.

Thematic codes emerging from the SIR questions, were input into NVivo to facilitate analysis (see Appendix 7). Management control theory, discussed in Chapter 2, advocates different approaches to performance measurement, including collecting diverse measures, aligning them to strategy and integrating them in causal models. UK Charity reporting literature, discussed in Chapter 3, considers measuring efficiency and effectiveness to be a hallmark of good quality performance measurement. These can be measured using the logic model, an integrated causal model cited in the voluntary sector literature. The SIRs were therefore used to assess the reporting of efficiency and effectiveness by hospices in England and Wales.

5.2.1 Diverse performance measurement

An important criteria for successful performance measurement identified in Chapter 2 is diversity, or the inclusion of both financial and non-financial measures. This is clearly evident in the statutory returns of voluntary hospices in England and Wales. As well as their financial statements, hospices report various non-financial achievements in their SIRs and TARs. Table 5.1 sets out the different types of performance measures cited by the hospices. 49 hospices say in their SIRs that they measure their strategy by using financial measures and 42 measure it through some kind of activity (or 'output' but none use this term). Outputs

in their SIRs include numbers of patients, admissions, referrals, numbers of families, number of bed nights and participation in staff training. The review of hospice TARs support the conclusions drawn by Connolly and Hyndman's (2013b) research reporting that 85% of the TARs of the top 100 fundraising charities in the UK had some kind of activity measure. Of the 148 hospice TARs, 70 included patient numbers, 49 attendances, 39 visits, 38 admissions and 37 referrals. Numbers of volunteers are reported in 53 cases, with a further 23 giving the numbers of hours and 33 the value attributed to the work carried out by them, usually valued at the minimum wage. This is also consistent with a NPC report showing that over 80% of UK voluntary organisations surveyed used output measures (Pritchard, et al., 2012). Measuring outcomes is less obvious with 27 commenting on the place of care/death and 15 on assisting non-cancer patients. One hospice explicitly acknowledges the difficulties they face: Thames(2012) explains that they are 'trying to define what success looks like.' Indeed, in their aims (SIR Question 1), the hospices express the intangible values on which the hospice movement was founded. They wish to 'enable people to die with dignity and in comfort' (Shakespere,2012) and to 'achieve a good death.' At a time when life is limited, they endeavour to help their patients 'live life to the full' (St Andrew,2012). During the child or young person's journey through life to death, they are 'creating positive experiences along the way which become good memories for the future' (Richard House). Yet, the most conspicuous method of assessing their performance is through the eyes of their stakeholders. Patient, carer and family feedback is the most often cited mechanism to measure success, with 74references (in Question 3a). Other feedback is important too, such as from staff and volunteers. 28 hospices cite using performance indicators including 5 which indicate that they have a BSC. Only 9 consider their Annual Report or Annual Review as a method of demonstrating their success, in line with the conclusions drawn by Hyndman and Connolly over the last two decades (Connolly et al,2013b).

Table 5.1: Numbers of references to themes in SIR question 3: how do hospices measure their strategy?

Question 3b themes		Number of references
Performance measurement	KPIs/BSC	28
	Finance	49
	Activities (outputs)	42
Performance management Processes	Governance arrangements	74
	Internal plans	57
	Internal quality	34
	External standards	25
Relational	User feedback (outcomes)	74
	Partnership	47

Source: author's findings from SIR analysis

Many hospices refer to performance management processes rather than performance measurement in answer to Question 3b (see Table 5.1). Around half see governance structures, particularly the board of trustees, as the mechanism by which strategies are measured, with 57 referring to internal planning processes and 34 to internal quality (clinical) assessments. A third explicitly refer to financial processes, such as managing budgets, providing management accounts to ensure long-term financial stability and maintenance of sufficient reserves. Others use comparisons to externals standards, citing external regulations, positive inspection reports, or recognition by outside bodies such as awards. Diversity of reporting performance is therefore clearly evident in the hospices' statutory returns.

5.2.2 Aligned performance measures: effectiveness

Effectiveness, as defined by the voluntary sector logic model, should compare outputs to outcome. However, there is no evidence of any hospice reporting direct relationships between outputs and outcomes in

the SIRs, none even use the terminology 'output'. There are just 4 references to effectiveness and 8 to outcomes. Achievements have been considered poor indicators of performance when judged in the context of the logic model (Connolly & Hyndman, 2003). However, management control theory would suggest that comparing achievement against plan is a credible indicator of effectiveness. Anthony and Govindarajan (2007 p150) contend that in any sector, 'since objectives and outputs are difficult to quantify, effectiveness tends to be expressed in subjective, non-analytical terms.' The Ferreira and Otley PMCS framework was shown to map closely with the SIR questions in Chapter 4. A comparison of achievements to their stated aims and strategies, or alignment, can be considered as a measure of hospice effectiveness. Analysis was carried out across the hospice SIR questions, comparing aims, strategies, objectives and achievements by each hospice (Question1 to Question 3a: aims to strategy; Question 3a to Question 4: strategy to objectives and achievements). Using Nvivo, emergent themes were identified within each SIR question and then compared across the range of questions. Aims are predominantly concerned with service provision, families and values or 'ends' (Question 1). While service provision remains the top concern within hospice strategies (Question 3a), this is followed by finance and partnerships, particularly with the public sector or the 'means' to deliver a good service. At an overall level, there seems to be a high degree of coherence between strategies, objectives and achievements, with the same themes being dominant. There is also remarkable consistency between the less frequent themes of staff, volunteers and education (see Figure 5.1 below). The SIR questions are represented by different circles with the outer ring being Q4 and the inner ring being Q1. For example, service provision (mid-blue) is 33% of the themes included in hospice objectives/achievements, 29% of themes within strategy and 35% of themes within aims.

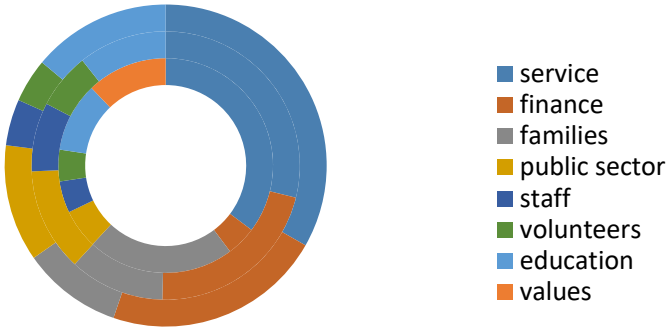


Figure 5.1: Alignment of Q1 (aims), Q3a (strategy) and Q4 (objectives)

A mixed picture is revealed when themes are traced through at an individual hospice level. When current year achievements of individual hospices are compared to objectives, there are high levels of alignment. These are included as answers to one question (Question 4) and laid out in a table format by specific objectives and achievement. The vast majority of hospices express some kind of service delivery in their aims, strategies, objectives and achievements. However, there are very limited matches across all other themes. When occurrences of finance, partnerships, staff, volunteers and education are matched across aims (Question 1), strategy (Question 3a) and Objectives/Achievements (Question 4), there is much less consistency (see Figure 5.2).

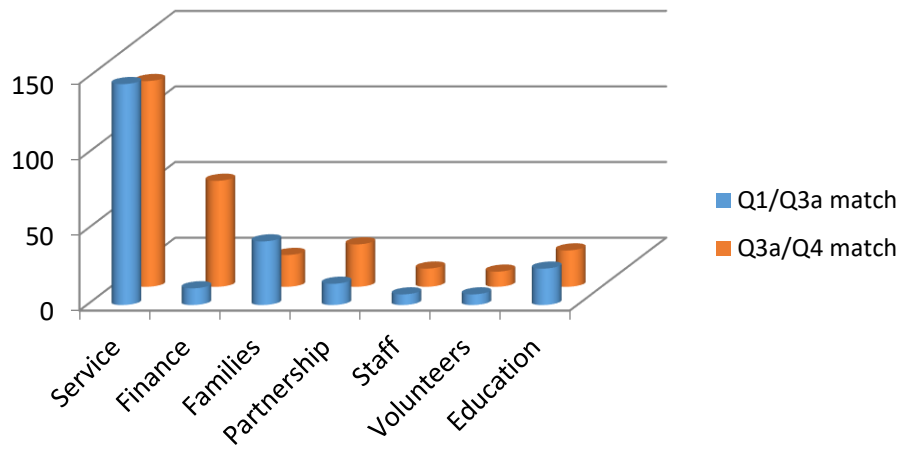


Figure 5.2: Number of thematic matches at individual hospice level

Some hospices do achieve a coherent pattern of alignment across the three questions relating to aims, strategies and objectives/achievements but these represent only 22% of possible alignment opportunities. The majority of hospices express their aims in terms of service provision and then elaborate on this in their strategies, objectives and achievements. Most aims are expressed in very general terms but a review of service provision strategies against their stated objectives and achievements suggests that around a third of hospices have aligned these in a consistent manner. Where objectives are specific, these are typically described in terms of activities such as establishing new services, building new facilities or extending capacity. Some are more aspirational such as patients dying in a place of their choice, widening access or promoting peace of mind. Where a tangible outcome is given, it is usually expressed as a milestone. Once service provision is excluded, there is much less alignment across the remaining themes of finance, partnerships, staff, volunteers and education. The cases in Appendix 8 represent the most clearly defined examples rather than typical patterns and, even allowing for the vague definitions, only 5% are thematically aligned across aims, strategies, objectives and achievements. More hospices match their aims and strategy but these still only represent 9.5% of possible opportunities while around 14% match their strategies to objectives and achievements. Measures have also been included here to show how the hospices set out to measure their strategies but these examples are rare and very few express it as a comparative number (eg increase on previous year).

SIRs also require charities to present their future plans. Question 7 asks: how will the overall performance last year affect your charity's medium to long-term strategy? What are your charity's main objectives for next year? By comparing the objectives declared in one year with those reported in the previous year in Question 7, the consistency of the strategic direction of the hospices can be analysed. Question 4 asks charities to list both the objectives and achievements in a table format so performance can be easily assessed by the reader. However, these are not necessarily the same as those they reported in Question 7 in the previous year. Thus, the objectives declared in Question 4 of the 2013 SIRs are compared to the objectives set out in Question 7 of the 2012 SIRs for all 148 hospices. While 68 (46 %) have an exact or very similar match of all objectives, a further 31 had at least one objective which matched exactly or was very similar. It is acknowledged that plans change (although this was never explained as such) so using the same or very similar wording for at least one objective suggests that the hospices are at least trying to report against their declared objectives. Overall, two thirds of hospices would appear to be doing so.

5.2.3 Integrated performance measurement: efficiency

In the voluntary hospice SIRs, there are no measures of efficiency as defined by Hyndman in his original research of 1990 and only twenty-three hospices make a reference to efficiency anywhere in the SIRs and then without elaboration or application in any specific way. While none were defined exactly in the terms of the logic model (inputs to outputs), there were efficiency measures such as length of stay (34 examples), occupancy % (33 examples), prompt responses to requests for help (4 examples) and staff turnover (2 examples). This is not to suggest that hospices are not concerned to manage their resources responsibly. While there is limited mention of any financial considerations in the hospices' aims (Question 1),

nearly three-quarters of voluntary hospices did have some kind of financial strategy (Question 3a). This is mostly expressed in general terms such as ensuring financial stability and the need to diversify funding sources, particularly referring to the public sector and maintaining robust financial control. This demonstrates that finance is considered to be an important facilitator of their mission; a means to an end rather than an end in itself (Kaplan, 2001). Fourteen hospices use the term 'efficiency' within their financial strategies but only one refers to a detailed measure of cost per patient day (Trinityflyde). Moreover, any efficiency calculation is likely to be heavily distorted by not including one of their most valuable 'inputs': the volunteers whose contribution was valued at an estimated £112m in 2006 throughout all UK voluntary hospices (HospiceUK, 2017).

5.2.4 Comparison of Trustees' Annual Reports (TAR) and Summary Information Returns (SIR)

Lord Hodgson (2012) has criticised SIRs for duplicating information provided in the TARs and a comparison of information provided in the hospice SIRs and TARs would support his conclusions to a certain extent. Analysis is carried out into how aims, strategies/future plans, objectives for the following year and achievements are reported in both sets of documents for 2013. The aims stated in SIR and TAR aims are usually very similar (66%) although a significant number of TARs expanded on it with mission, philosophy and/or values. A proportion of TARs (41%) have more details of future plans and strategies than in the SIRs. However, it is surprising that there were many cases where quite different information is reported in SIR and TAR. Table 5.2 shows that hospice strategies were different in 13% of cases with only 19% being similar in both their SIR and TAR. The majority (56%) of hospices are able to give a more comprehensive account of their achievements in the TAR, although a significant proportion chose to give different information in TAR and SIR (24%).

Table 5.2: Comparison of Trustees' Annual Report and Summary Information Returns

%	Similar	Different	More in TAR	More in SIR	Not in TAR	Vague in both
Aims	66	3	20	10	2	
Strategy	19	13	41	7	6	18
Objectives (for following year)	9	4	16	1	**69**	1
Achievements	3	24	56	9	9	

Source: Author's findings from TAR and SIR analysis

However, there is one significant issue addressed in the SIR but not the TAR. While the TAR only has one rather vague question about future plans, the SIR asks for more specific information and breaks it into two questions, distinguishing between strategic direction and plans for the following year. In the TARs, 69% of 148 hospices do not report detailed objectives for the previous year, thus not allowing any view to be taken on how they have performed against those objectives. As these were required in the SIR, they were set out for every hospice, albeit with degrees of specificity. The more recent SORP (Charity Commission, 2015) for larger charities lays out requirements for the reporting of objectives and achievement in more detail than SORP 2005 (Charity Commmission, 2005) but does not require that specific objectives determined in one year should be reported against in the following year.

5.3 A voluntary sector skeletal framework for hospice case studies

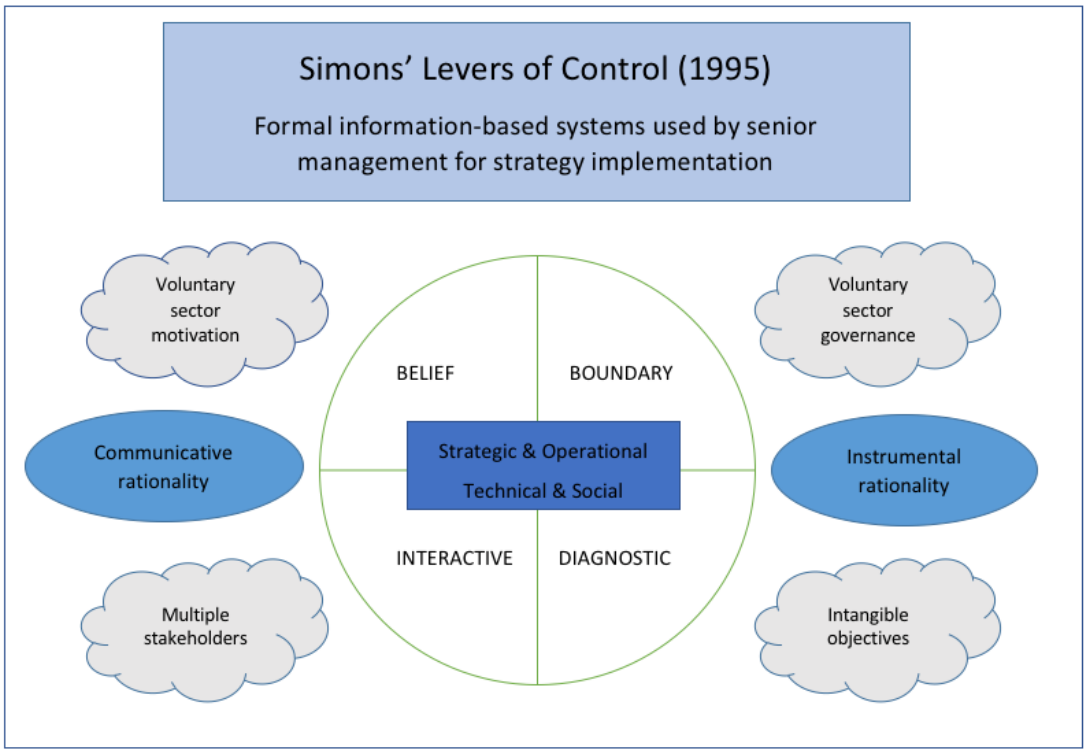


Figure 5.3: A skeletal framework for voluntary sector performance management

Source: author's interpretation of the literature of management control and voluntary sector performance measurement

The analysis of the SIRs and TARs provide an overview of the performance measures used by voluntary hospices and addresses the first three sub-questions of the research (what is considered to be good performance, how is it delivered and measured.) However, insights into the overarching question of how hospice performance is actually managed are limited. As Chapter 4 explains, five case studies were selected to understand overall performance management including the purposes for which performance measurement information is used, and who and what drives that information. The first three sub-questions are also addressed in the case study analysis, allowing a comparison of individual hospices to the hospice sub-sector. In accordance with middle-range thinking, the case studies are informed by prior theory but enable theory-building. A skeletal

framework puts the performance management framework of Simons' Levers of Control (set out in Chapter 2) in the context of voluntary sector characteristics (described in chapter 3). Modifications to the SLOC recommended by Tessier and Otley are loosely added, along with the communicative and instrumental rationalities described by Broadbent and Laughlin (2009). Ferreira and Otley's (2009) PMCS is used to inform the interview protocol, providing qualitative data from which the skeletal framework can be 'fleshed out'. Table 5.3 shows how management control theory has informed the second phase of the research. From this, a framework to manage the performance of the voluntary sector can be derived.

Table 5.3: Research questions and performance management frameworks

Research sub-question	Frameworks	Chapter
1. How do voluntary hospices perceive 'good' performance?	Ferreira and Otley (2009): Vision and Mission	Ch 6
2. How can good performance be best delivered?	Ferreira and Otley (2009) Critical success factors, strategies	Ch 6
3. How is performance measured in voluntary hospices?	Ferreira and Otley (2009) Key performance measured	Ch 7
4. Who and what drives this performance measurement information?	Connolly et al. (2015)	Ch 6
5. For what purposes is hospice performance measurement information used?	Henri (2006) Burchell et al (1980)	Ch 6
6. How does performance measurement information complement other control mechanisms in the performance management of a voluntary hospice?	Simons' Levers of Control (1995) Broadbent & Laughlin (2009) Ferreira and Otley (2009) Q9-12	Ch 8

Source: Author's own

5.4 Hospice case comparisons

To answer the final three sub-questions of the research and understand how performance is *managed* rather than just *measured*, five voluntary hospices were selected as cases. These are used to put the 'flesh' onto the skeletal framework outlined above to gain richer insight into how hospice performance is managed. The cases have been chosen as they display different characteristics pertinent to the subsector as a whole.

All but one of the case hospices are in the mid-range of total annual income (£5-7.5m) and provide similar services for adult patients and their families. The exception is one large hospice with separate hospice units and a head office. This hospice only has under 10% of patients diagnosed with cancer and has over 20 commissioner relationships. Despite the similarities of size and service provision, the remaining four hospices have different income profiles. Two have a high proportion of public funding (around 40%) while one is lower at around 20%, and the fourth is near to the national average of 30%. There are contrasting patterns of financial stability. Only one has both a healthy surplus and reserves; two have a small surplus and adequate reserves; one has no surplus but reasonable reserves; and the final one has both no surplus and low reserves. Differences are also evident in the boards of trustees: there are three stable boards of governors and two with a relatively high turnover in the past three years. Management teams are also dissimilar in that four hospices have mainly established directors whereas has one has experienced much recent change. The volunteer support varies considerably (although this is difficult to quantify accurately) as does their geographical settings with two having a high proportion of black and minority ethnic (BME) patients. Contact was made with three hospices through personal connections whereas two responded to an invitation, made through the Charity Finance Directors Group.

5.4.1 Barton: stable and assured

At the time of the interviews, Barton was the most financially stable of the five case hospices with a surplus of over £1m and reserves amounting to 60% of operating expenditure in 2013. NHS contributions amounted to third of revenue with trading and other incomes making up a balanced portfolio. Over fifteen shops provided a further third of total revenue and fundraising contributed the final third of total revenue. Their senior management team and board had experienced little turnover in the previous three years. Participating in the Cass Business School review, they were considered an example of good governance. They are supported by more than 1,000 volunteers representing an equivalent cost of almost £1m across all aspects of the hospices operations, from shop assistants to patient support, fundraising to family support. They are committed to education and are providing support beyond cancer. Contact was made through the supervisor of this thesis.

5.4.2 Cavell: financially uncertain but stable management

Cavell was struggling financially at the time of the interviews. Having made a small deficit in 2012/2013, it has returned to an operating surplus in the following year. It had the lowest proportion of public funding of all the hospices at under 20% and was aware of pressures on the NHS to make more cuts. It was conscious of local charity competition and had the lowest proportion of legacy income. Nevertheless, it had the most onerous reserves policy of 1.5 times annual expenditure. They were seeking accreditation from an external body at the time of the interviews. It had a well-established team of both senior managers and trustees with good board relationships. Having been through the Cass review, they have restructured their reporting and sub-committees. It was founded on Christian principles but is open to those of all races and religions. It offers a typical and diverse range of hospice services which provide physical,

psychological and spiritual support to patients, families and carers. Cavell was approached through a contact of the researcher.

5.4.3 Guinness: aspiring management team in challenging financial circumstances

The largest case, with over £10m revenue and 30% from statutory sources, has purpose-built hospices with a separate head office. Their funding was a more complicated mix of grants and contracts with over 20 different commissioning organisations. The information requirements and proportions of funding were also very different. The management team was relatively stable with both CEO and care director being in post for over 10 years. The Finance and HR directors were the most recent appointments at the time of the interviews. They were conscious of their vulnerable financial sustainability, being used to running at breakeven point. The trustees have also been stable with 11 of 18 in post for four years. As a proportion of expenditure, their reserves were significantly lower than the other hospices. However, they were committed to an ambitious strategy and an explicit goal of meeting the needs of an absolute number of patients and their families over a seven-year period. They run over 50 shops and have a combined volunteer support of over 1,500 people. It has a high proportion of BME patients and covers a wide geographical area. They responded to the request in the Charity Finance Directors' Group for hospices interested in performance measurement.

5.4.4 Nightingale: a new management team dedicated to change

At the time of the interviews, Nightingale was a hospice in a state of change with one director describing it as 'undernourished' in its recent history. The CEO was implementing a 'modernisation' programme within the hospice 'to turn the business inside out' and with aspirations and ambitions to double the numbers of patients. This would require a

renewed programme within the community. Interviewees commented on the CEO's energy, the change of pace and her inspiring leadership. Both the board and senior management team had been involved in rethinking the vision and were working through a new strategy at the time of the interviews. There has been a number of changes within the senior management team. Some trustees had been in post for twenty years, or as another interviewee put it 'from a different era'. All heads of department were in the process of determining appropriate performance measures, some of which had been implemented. Its high 40% of public funding was due more to under-performance on fundraising in other areas (eg trusts and grants). The finance director responded to the request in the Charity Finance Directors' Group for hospices interested in performance measurement.

5.4.5 Seacole: financially vulnerable with high % of public funding

Seacole had a high proportion of public funding at 40% and had, at the time of the interviews, been challenged financially with an unexpected drop in legacy income. They had embarked on a cost-containment programme. It had a high proportion of BME patients, is situated in a predominantly urban area and has one of the lowest proportions of volunteer to staff ratios. It is also the only hospice that cited specific 'competition' from another hospice in the area, with attempts at performance comparisons being made by its commissioners. While mainly receiving income from one block contract, it did have three other public funding arrangements, including spot-pricing for particular services. The CEO was actively seeking a balanced portfolio of public funding. Seacole had a strong religious history with one interview commented on the religious influence, but only to the extent that the CEO was concerned to ensure the hospice is open to everyone, irrespective of their faith. This hospice was approached via a contact of the researcher.

5.5 Conclusion

The Summary Information Returns (SIRs) present this information in a way that aims, strategies, performance measures and achievements of hospices can be compared easily; both collectively as a sub-sector and within individual hospices. As Ferreira and Otley's PMCS framework (2009), a method of researching SPMSs, maps well to SIR questions, this was used to analyse the SIRs of 148 hospices to identify the extent of alignment of aims, strategies, objectives measures and achievements. It found that overall there was a good degree of coherence in the themes put forward by the hospices. However, at an individual hospice level, there was little strategic alignment. A comparison of the SIRs and Trustee Annual Reports(TARs) demonstrates that, while charities have to report their achievements against specific annual objectives in the SIR, no detailed objectives for the following year are specified in nearly 70% of the TARs. Following Lord Hodgson's (2012) report into the Charities' Act of 2006, the SIR is no longer required. While the new Charities SORP (FRS 102) (Charity Commission, 2015) lays out reporting of objectives and achievements in more detail than SORP 2005, it does not specify that a charity should report its achievements against the specific annual objectives declared previously by the charity. This research suggests that any future regulation should encourage charities to declare specific annual objectives as well as longer term future plans and then report against them in their TARs in the following year.

To inform the second phase of the research, a skeletal framework for understanding how voluntary sector performance is managed is derived from a number of sources. It is informed by the literatures of both management control, particularly Simons' LOC, and voluntary sector performance measurement. Both sets of literature acknowledge the need for diverse, aligned and integrated performance measurement systems. Management control literature advocates performance management through comprehensive packages of controls, but this is yet to be

recognised in the voluntary sector literature. The skeletal framework combines this comprehensive approach with the characteristics of the voluntary sector. To gain insight into how hospice performance is managed, five case hospices are used to put 'flesh' on the 'skeleton' of voluntary sector performance management thus building a framework for voluntary sector performance management.

Chapter 6: Reporting good hospice performance

6.1 Introduction

Evidence from external hospice statutory reporting would appear to support the conclusions of Connolly and Hyndman (2004; 2013a) that performance measurement in voluntary organisations is weak. They argue that poor quality external reporting infers weak internal performance measurement and have subsequently called for more research into what is meant by performance, how it is measured and what emphasis stakeholders put on it (Connolly, et al., 2015). This chapter addresses these questions as part of the second phase of this research. To understand what role performance measures play in the internal management of hospices, first what is considered to be good performance in a voluntary hospice needs to be identified. Second, it examines how good performance can best be delivered. These are combined to address Connolly et al.'s (2015) opening question about what is meant by performance. Third, it considers who and what drives performance management information and finally, investigates the purposes for which performance measurement information used. The latter two questions address what emphasis stakeholders place on performance measurement while the actual performance measures used will be analysed in chapter 7. Five cases studies of voluntary hospices were carried out, enabling insight into how their internal reporting is used to manage their operations. As we have seen in Chapter 4, Ferreira and Otley's (2009) PMCS provides a framework for research into performance measurement and management systems, albeit largely applied in the private sector. This has informed the interview protocol (see Appendix 3). Semi-structured interviews have been carried out in five hospices with twenty-five CEOs, senior managers and trustees. As interviewees came from a range of functional backgrounds, different internal stakeholder perspectives are revealed.

6.2 Good performance: a good death?

'There are lots of component parts' (CEO,Cavell).

'It can be divided up into a number of components' (CEO,Nightingale).

Many acknowledge that good performance in a hospice is not a straight forward concept. A study of one hospice by the NPC's (Joy & Sandford, 2012) has defined good performance as a 'good death', giving three possible outcomes: quality of life; place of death; and coping skills. It is interesting that of all twenty-five interviewees, only one CEO and one care director (from the same hospice) chose to express good performance in terms of 'a good death'. There is extensive recognition of one of the outcomes identified by the NPC (quality of life) but surprisingly little acknowledgement of the other two (coping skills and place of death). The findings will consider the evidence to support each of these outcomes but then consider other concepts of good performance described by the interviewees including other outcomes, activities or outputs and the achievement of objectives.

6.2.1 New Philanthropic Capital (NPC) outcomes: quality of life, coping skills and place of death

Improving the quality of life of patients is considered fundamental to the good performance of a hospice with the majority of interviewees mentioning it in some way.

> *'Patients first. That is absolutely critical to what we do' (CEO, Barton).*

> *'Our final outcomes is to ensure for that one person that they've had a dignified life and…that they have passed through the hospice, been cared for and looked after as a human being,...they've been in the decision-making process' (Trustee, Seacole).*

One trustee explained the differences between a hospital and a hospice by citing the example of a knee operation. A patient goes into hospital for an operation and expects to come out better able to walk. In contrast, the outcomes for a hospice patient are not usually about recovery but quality of life at a difficult time. The patients' experience is the key to understanding good performance. '*Measuring success is the people whose lives have been impacted upon' (Trustee, Seacole).* This includes the emotional, psychological and spiritual care of the patient. In line with the holistic philosophy of the hospice movement discussed in Chapter 5, many interviewees commented on the broader aspirations of hospice care.

> *'I think that being able to provide the care for our patients which meets their needs and often that is about managing their symptoms, both physical and emotional' (CEO,Cavell).*

Hospices provide a range of services and in some cases, patients can express their own views. However, in many cases there will be difficulties in ascertaining this and often it is the families who have to speak on the beneficiaries' behalf, as the CEO of Barton implies.

> *'They all leave saying that it could not be any better. Whether it is the patient going to wherever the patient has gone, whatever your belief is, or the family saying thank you. It couldn't be better'(CEO, Barton).*

Such perceptions of success as patient experience are not limited to the clinical staff but were held by all members of the senior management teams, including finance and business staff.

Of the two other outcomes identified by the NPC (Joy & Sandford, 2012), coping skills and place of death, there are significantly fewer comments. Only two interviewees referred to coping skills: *'It's about knowing that families who are at crisis point now…have got resilience, they're empowered to actually make some of the decisions, to cope with*

the day-to-day life that they were struggling to cope with' (Care, Guinness). Only one interviewee comments on the place of death as an outcome specifically in response to the question of what constitutes good performance and even that is complicated.

> *'A key indicator for us isn't just the preferred place of care, preferred place of death but also about other wishes that might be predominant at that time as well...actually what might come higher is symptom control, pain control' (Business, Seacole).*

The CEO at Nightingale referred to place of death in a later part of the interview.' *So I would say the outcomes that we're working with at the moment are things like the achievement of preferred place of death' (CEO, Nightingale).*

6.2.2 Other outcomes

Outcomes, other than those cited in the NPC report, are identified. The CEO at Nightingale mentions offering support to a mix of patients, including non-cancer patients. The care director at Barton comments on the indirect benefits of good hospice performance reducing pressures on GPs. If families have been supported through bereavement, they are less likely to be at risk of psychological dysfunction after death and thus make fewer demands on GPs and other services. The business director at Guinness comments on the reduced hospital admissions due to the provision of hospice services.

> *'If you have a good death and you are supported through that, it is probable that bereavement will be less traumatic. Therefore you feel supported. Therefore there is going to be less demand on your GP and less risk of psychological dysfunction after death so there is an added value to that' (Care, Barton).*

Good outcomes are not limited to the patient but extended to their family, carers and friends. *'There's almost as much psychosocial support, as my care colleagues would call it, for the family, as there is care for the (patient) going on. So it's the quality of the whole range, isn't it, that we provide' (Finance, Guinness).* As the CEO of the children's hospice expressed it in the context of facing the death of a child, it is about *'making the unbearable, bearable'* for parents. His colleague commented on siblings as 'silent mourners', so outcomes can be expressed in terms of families, as well as patients being more able to cope.

> *'An example of an outcome might be that through receiving XXX services in that year, that family is more resilient to cope…the family stays together; they attend A&E less often; they're happier; the siblings have a higher well-being. And, for me, good performance management is about achieving those outcomes' (Business, Guinness).*

6.2.3 Outputs: volume, quality and efficiency of service provision

> *'So good performance, it's about quality. It's about delivering the highest possible quality of care in the way that (patients) and their families want' (CEO, Guinness).*

Half of the respondents express good performance in terms of the provision of services, ie: activities or outputs. The CEO of Nightingale distinguishes between two aspects of good care: activity (what/how many services are provided) and the quality of those services. The CEO at Cavell provides a typical response to the question of what is good hospice performance: '*Good performance is safe, effective end-of-life care' (CEO, Cavell).* Three interviewees are pragmatic, commenting on meeting the minimum requirements set by the regulatory body – the CQC. Failure to meet these would result in revoking of their license. '*I mean I think the core*

of it for me is how we perform from a clinical point of view. I think all the other things are peripheral. I think the focus should be very much on the outcome of a CQC visit. They measure you on your ability to give care to people that are coming to the hospice' (Business, Nightingale). Being measured against certain essential standards of quality and safety were described a '*baseline of good performance'* by the care director at Barton but she added that this is not '*the be-all-and-end-all.'*

Other interviewees see good performance in terms of efficient clinical management processes. The care director at Cavell defines good performance as providing a '*fairly transparent and responsive'* service. The CEO at Nightingale cites occupancy and length of stay as hallmarks of a well-run operation. She asserts that there is a responsibility to those who had given donations that every bed should be used, given the number of people in the community desperate for them. However, this is not simply about being efficient but about being appropriate. '*That our length of stay is appropriate in that we are turning people around relatively quickly and getting them home again or into a care home, or they're here to die and they're here for a period that is appropriate for them and their family's need' (CEO, Nightingale).* Arguably this is a matter of judgement, rather than a measure of efficiency. The business director at Cavell poses the question: '*Are we providing the right services at the right levels?'*

6.2.4 Other hallmarks of good performance: staff satisfaction, financial sustainability and community reputation

Interviewees express the good performance of a hospice by looking at the factors which contribute to a good patient experience. *'It's very much about our employees and staff satisfaction…The strength of our board of governors plays a very important part of our success' (Business, Barton).* It is not simply having the right staff but treating them the right way. Two interviewees made reference to staff satisfaction.

> '*Good performance is whereby you have a satisfied population. By that I mean in terms of patients and in terms of whatever the experience they have had after the event. But (for) staff it is emotionally onerous working in a hospice; (it's) really important that staff feel well supported, they can exercise their views and that their views are listened to'(Trustee, Barton).*

Of the twenty-three interviewees who answered directly to the question 'what is good performance in hospice', nine specifically mentioned financial considerations. One finance director said: *'we need to reach our bottom line in terms of surplus or deficit. That's a simplistic answer*.' He went on to comment: *'So I suppose I've given the answer you would expect me to me to say and probably what 80% of financial directors would say.'* Indeed, all finance directors who answered directly did include finance. However, it is clear that it is not about *'maximixing surplus'* (the non-profit equivalent of profit) but securing adequate funds for their purposes. The Business at Nightingale expressed it succinctly: '*the more money we have, the more successful we can be as a hospice*.' Unlike a for profit–organisation, in which a higher level of customers will improve the financial performance, the more patients there are, the greater the financial exposure becomes. '*It's about being able to deliver the services that are needed by the local community. If we had double the money coming in, then we could achieve that' (Business, Nightingale).*

Finance and business directors recognise that financial stability is a means to an end, not an end in itself. The business director at Nightingale went to the extent of saying *'that the core of it is how we perform from a clinical point of view. I think all other things are peripheral.'* The financial and business interviewees all put finances in its clinical context. One said he was interested in bed utilisation from a clinical, not a financial perspective. Another commented that by generating a surplus, they could improve their clinical performance:

> '*If we have a surplus for one year, which is not necessarily success, but if we have a surplus one year, it will be how quickly can we work this into what we do to improve clinically' (Finance, Barton).*

This is supported by the one trustee who includes financial performance as only a part of a series of factors that contribute to good performance.

> *'The year has finished and we have ended up with a surplus of this or a deficit of that, but it's better than budget. And there was a recognition to say that actually it is not a reflection of what we're about, because we're not about achieving surpluses or deficit' (Trustee, Guinness).*

Financial success therefore concerns the responsible management of funds. *'We have got to be able to assure that we are delivering high quality care to people who need it and that we are not wasting the money that people give us and we have the ability to develop our service where we see future need…the basic thing is that...nothing would come as a surprise and that is because of performance management' (CEO, Barton).* Successful financial performance is, therefore, managing the trade-offs between achieving a high quality service provision but with tight cost management. *'Clearly good performance is being able to provide a quality service within agreed budgets*' *(Finance, Cavell).* One CEO commented on how they are now cancelling fundraising events if the SMT thinks that the cost–benefit is not justified.

While financial and business staff might be expected to explain financial performance as part of what makes a hospice successful, other staff choose not to identify this. Only one CEO mentioned finance in direct response to the question of good performance and only two trustees included financial performance. No care director cites finance in direct answer to the question of good performance. However, they recognise the need the need for financial stability elsewhere in the interviews. A care director even said that she would have to justify her salary to her CEO by

the hospice improving its financial position. While non-financial staff appreciate the necessity of good financial management, there are clearly tensions.

> *'There's different discussions at the moment because performance is being measured and, increasingly needing to be measured by our numbers. And that's really difficult because the accountants that are on our board want to see performance...For me, good performance management is about really good outcomes for children and for families. It's about making a difference in the quality of their life' (Care, Guinness).*

The business director at Barton applauds the high quality service provision but questions *'at what cost should we be achieving those levels of results and would we achieve the same level of results if we monitored those results?'* Where the emotional stakes are so high, clearly tensions are evident as a contrasting perspective is given by a finance director:

> *'xx died that weekend but the news hadn't caught up with me and they (her staff) were gutted, they were just so upset. So it is about being genuine, very genuine. And I guess that's one of the challenges that I have, is I really don't want to cut across any of that because that's what makes it so special, but in order to be able to do more of that just a little bit more structure to what we're doing in terms of resource management could have such a big benefit' (Finance, Guinness).*

Success was considered by three interviewees to include the hospices' reputation and *'people's perceptions in the community' (Business, Barton).* This was described as *'subliminal'* by the care director '*because there is a sense by the public and the patients out there that xxx will always provide a high standard of care.'* A more comprehensive view would suggest that a good community reputation is essential for financial survival. The business director at Cavell sees good performance as supporting those

who provide the funds. '*So I think when you get those three things right, we're onto a winner. Excellent clinical services, excellent supporter care, those two combined hopefully you see your financial results' (Business, Cavell).* A business director perceives success as having a good '*influencing strategy*' raising awareness within the community and building collaborative relationships with other hospices and organisations.

6.2.5 Achievement of objectives

> *'Good performance would be one where we continue to meet all our quality goals...in line with the targeted growth in those numbers that we're providing our service to. So if we can achieve both of those, then one would say that's good' (Trustee, Guinness).*

The finance director at Barton stated that to understand success, you needed to understand the strategy of the organisation; an interpretation consistent with the Ferreira –Otley framework (2009). '*In order to know what good performance is...I need to know what the strategic objectives are' (Finance, Barton).* At Guinness, they have gone further in implementing this, by seeing good performance in terms of achievement against a fundamental and externally driven target. Through studies, they have estimated the likely need for their services for many years ahead and are monitoring progress against this long-term strategy on a monthly basis.

6.2.6 Good performance in a hospice

As the voluntary sector literature would suggest, good performance is intangible, is difficult to define and has multiple objectives (Sawhill & Williamson, 2001). This draws a contrast with a perception of simplicity in the private sector with its single bottom-line (Kaplan, 2001; Speckbacher, 2003). This is clearly endorsed by what hospice interviewees say. '*It's a*

really difficult question' (Business, Guinness). It involves satisfying the needs of several stakeholder groups, such as patients and their families, as well as employees, trustees, funders and other health care providers. The overriding outcome suggested by the NPC and suggested by two interviewees is the provision of a 'good death' but involves many other aspects of good performance. The trustee at Cavell gives a comprehensive definition, starting with finance, including patients and finishing with staff:

> *'Good performance in a hospice? There's not a one-liner for that… finance is important because without that, you don't have the organisation. Quality's important because you want to give a good quality service. You need people to have perceived that, which is the customer survey bit. And is the staff good as well? Are the staff happy or content or not?' (Trustee,Cavell).*

This illustrates how the distinction between outputs and outcomes are blurred or even interchangeable in the perception of the interviewees. Outcomes are contrasted to outputs in the logic model. 'Outputs represent what a programme actually does whereas the outcomes are the results it produces (Poister, 2003, p. 38). Table 6.1 classifies the direct responses to the question what is good performance in a hospice. Over half of respondents include some kind of outcome, even if only two interviewees (both from the same hospice) used the term explicitly and spontaneously. Outputs, on the other hand, are related to service provision. If respondents reply in terms of types or volumes of service, it is clearly an activity or output. Twelve interviewees reply in terms of quality of service, strictly an output as part of the programme rather than a result of a service (Poister, 2003). Nevertheless, the distinction between quality of *service* and quality of *patient experience* is not clear but used interchangeably, as the comment from the trustee of Cavell (above) illustrates.

Table 6.1: Good performance in a hospice

	NPC outcomes	Other outcomes	Activity/Service quality	Delivery
Detailed examples	Patient well- being, good death Family & carer support	Saving GPs money Non- cancer care Fewer A&E visits	Safe, effective care Responsive, transparent Length of stay, occupancy Bed utilisation CQC standards	Financial surplus, community reputation, staff satisfaction, board strength
Barton	CEO Care Business Trustee	Care	Care	Finance Business (retail & fundraising)
Cavell	CEO Trustee		CEO Finance Care Business Trustee	Trustee Business Finance
Nightingale	CEO	CEO	CEO Finance Business	CEO Finance Business
Guinness	CEO Care Finance Business	Business	Finance Trustee	
Seacole	Trustee CEO Business		Business	CEO Trustee
Total	14	3	12	11

Source: author's findings from case analysis

There is also considerable overlap between what is good performance and how it is best delivered. This will be explored more in the next section by looking at how interviewees responded directly to the second sub-question of the research. Eleven respondents include aspects of delivery (or 'means') as part of what is good performance in hospices (or 'ends'). The means to achieve the overall outcomes is intertwined, even muddled, with the end purpose. Financial viability, committed staff and good community relations are all considered as part of the good performance of a hospice. The literature would suggest that performance and delivery are clearly distinguishable (Kaplan, 2001); this research would suggest that it is less clear in the perceptions of hospice management.

Outcomes are predominantly described in terms of the impact on an individual patient or their families. Only in a few cases are they seen as the hospices broader impact on wider society or put in its strategic context. One CEO acknowledges a responsibility to ensure beds are utilised efficiently so that as many patients as possible can benefit. One trustee expressed the good performance in terms of the hospice's strategic aim of meeting the estimated need of all the patients in the community. The aims of hospices throughout England and Wales, specifically required in the SIR and often cited in the TAR, are predominantly expressed in terms of service provision or outputs, not outcomes. The alternative view, suggested by the finance director at Barton, that success should be considered against the objective that the hospices determine themselves, will be taken up in the section on strategic alignment in Chapter 7.

6.3 Delivery of good performance in a hospice

Given that many interviewees see staff satisfaction and sound financial management as the hallmarks of a successful hospice, it is not surprising that these are also cited when asked how is good performance delivered. Delivery of good performance delivered is also considered to be complicated. '*How do you achieve that performance? There are many strands' (CEO, Barton).* Responses do not always directly answer the question, with some interviewees answering by how they know if good performance is delivered, discussing measures rather than methods of delivery. *'I know how it is measured rather than how it is delivered' (Business, Barton).* The majority of direct responses concern informal relationships within the hospice: between staff and their patients, colleagues, senior management team and the board. Formal processes, including good governance, reporting structures and performance measurement are also a recurrent theme. Responses are summarised in Table 6.2.

6.3.1 Right staff: personality, expertise and motivation

A perception that good performance is fundamentally delivered by the right staff is shared by all hospices and across all functions. '*All of that that I've just spoken about isn't possible without the right people' (Business, Cavell).* The so-called '*right staff'* includes many facets. Respondents comment on staff who '*have the heart.' (CEO, Guinness)*; '*When I say the right staff, it is not just the training pure and simple but there is their personality' (CEO, Barton).* If staff are unlikely to suit the demands of working in a hospice environment, they are unlikely to stay. At Barton, staff start on a three month temporary contract to ensure they are comfortable with the environment. Many choose to leave after that period of their own accord. The CEO of Guinness says that *'the first thing is to make sure that*

they know what they are coming into…so they've absolutely no doubt about the kind of organisation.'

Other respondents comment on staff having the right expertise. *'It is the healthy trust and use of peoples' expertise and knowledge' (CEO, Cavell).* His senior management at Cavell agree: '*And then also part of that, another layer, I would say, is having the right calibre of people in the organisation. People are critical (Business, Cavell).* This includes specific expertise but also the right attitudes to caring for patients, ensuring they are '*treated with dignity and compassion and love and care with humour at the most difficult time of life ' (CEO, Barton).*

Moreover, delivery of good performance concerns individuals operating effectively within a team. '*The feeling of a really good team...right players in place' (CEO, Cavell).* Two respondents from Barton used music analogies – being '*in tune with the orchestra' (CEO*) and '*singing from same hymn sheet' (Business*). At Guinness, the business director emphases the importance of building relationships with the care team. At Cavell, the CEO speaks of 'cross-fertilisation' between nurses and doctors. The trustee at Barton believes that the delivery of good performance is about staff sharing the mission. *'I think because the staff share the vision, they are integrated into that mission and vision' (Trustee, Barton).*

Staff motivation is clearly an important factor, with the business director at Cavell identifying this as one of three aspects needed to achieve the results required (the others being knowledge and education). The trustee of Cavell relates the delivery of good performance to the good reputation of the hospice '*because people want to be here*'. In two hospices (Cavell and Nightingale), respondents comment on the high levels of motivation, with members of staff going beyond what is expected of them. Respondents cite staff getting involved in fund-raising activities outside their working hours as an indicator of their commitment and ultimately the delivery of good performance. *'I think an evidence really of*

informal things which go on which encourage good performance is the number of our staff who take part in fund-raising activities on a voluntary basis' (Finance, Cavell). On the other hand, the trustee at Seacole commented on the negative impact a significant drop in legacy income had on staff morale.

6.3.2 Recruitment, induction and training

A commitment to the recruitment, training and induction of appropriate individuals therefore becomes a key means of delivering good performance. The CEO of Barton says '*recruitment is terribly important. We take recruiting very seriously.'* This is followed by induction: *'Between those two things; recruitment and induction, there is a process that's almost subliminal, whereby they get to see what it is that they're going to be doing in an environment that they can see for themselves and understand, because they will come from a background where that's possible. And in which they know what will be expected of them' (CEO, Guinness).* The CEO at Barton goes as far as to say that it is '*immoral to put someone in a position for which they are not trained*.' Staff are also encouraged by prospects of progressing within the organisation. *'Demonstrating upward mobility of your staff is important' (Care, Cavell).*

6.3.3 Leadership

Staff might be seen to be critical to the delivery of good performance but the leadership that supports them plays a key role too. *'So good performance is delivered by them…my job is to let you do your job' (CEO, Barton).* Leadership is often identified as a key driver of good performance but in three cases, this is explicitly of a coaching style. '*I think a lot of it is about coaching people. It's not about enforcing; it's about coaching, developing, nurturing talent and creating an environment where*

it's OK to sometimes get it wrong' (Business, Cavell). The CEO and care director at Barton both speak of their commitment to *'collective leadership.*' At Cavell, the CEO agrees: '*For me ultimately what I think you are asking is, it is all about the leadership and leadership at lots of different levels within the organisation.'* The CEO at Seacole endorses this*: 'having good examples of leadership at every level of the organisation and I suppose it is about having the culture that encourages people to thrive rather than survive.'* Trusting, open and respectful relationships between senior colleagues and staff are seen as a method of promoting good performance. At Nightingale, the business director stresses the importance of being visible to the hospice staff and providing a good role model '*in every sense*.' The business director at Cavell believes this means demonstrating good behaviours: '*I don't like to ask people to do anything that I wouldn't do myself*.' A happy workforce results in staff contributing more than is expected of them. '*When you have got a team that are happy in the job, then they give more, and so that in itself helps to achieve the performance that you're looking for' (Finance, Cavell).*

6.3.4 Autonomy and communication

> *'So for me, informally it's about people coming to work, about feeling like they can complain or moan about things to me and to their directors, to each other. It's about people making suggestions and coming up with ideas and being engaged, coming to drop-in sessions, because we have a lot of informal drop-ins as well' (CEO, Nightingale).*

Consistent with the spirit of hospices fiercely defending their independence, several respondents cite autonomy being given to individuals as an important aspect of delivering good performance. Autonomy brings responsibility. *'Good performance for me is really about people being empowered to do their role and working at a certain level of*

stretch without being unsafe or over pressurised. I think that having a culture where everybody feels they have got a part to play and their contribution is valued' (CEO, Seacole). The care director at Barton cites the freedom she gives to her heads of department and their '*ownership in taking it forward. There is no greater joy for me than to see those heads of department really taking those things forward' (Care, Barton).* Good informal communication amongst staff is essential at all levels. The CEO at Cavell sees good performance delivery as having good people at senior management level '*with good communication, open transparency*'; a view echoed by others. *'I think communication is the key part of it.' (Business, Nightingale).* The business director at Barton cites staff being able to talk to any member of the senior management team, irrespective of who is their line manager. In such an emotionally demanding environment, it is vital that staff can talk, knowing that someone will listen.

6.3.5 Management processes

Formal management processes, including reporting structures, policies and procedures are also mentioned by respondents as a means of delivering good performance but to a much lesser degree. Two respondents cite the reporting of performance: *'I guess it (delivery) is down to the management, so whether they are monitoring it and then...picking up things when things don't go to plan and taking actions to do something about it and to ensure that performance is improved or kept at that state in the future' (Trustee, Nightingale).* The Accountant at Barton sees success being ensured by monitoring KPIs. The trustee at Seacole sees a '*good management structure'* with a strong executive team reporting to the CEO.

The care director at Barton sees the successful delivery of performance resulting from management team meetings and appraisals linked to the hospice's overall strategy. The finance director at Cavell emphasises the importance of good formal communications throughout

the hospice, including '*state-of-the-nation'* communication meetings with staff. The trustee at Guinness sees good performance delivery as the combination of meetings and reporting: *'I think through the reporting processes both in terms of structured meetings and information provided for those meetings.'*

One hospice, Cavell, in particular had invested enormous amounts of money and time in developing rigorous procedures and policies throughout the organisation. Gaining accreditation from an external body is seen as the means of ensuring a better future for the hospice, both in terms of performance and being able to demonstrate their credibility to the outside world. The finance director at Nightingale sees good performance delivery as performing well in external audits: '*I think it's nice to have a third party's external view on things.'*

6.3.6 Delivery of good hospice performance: relationships and processes

The interplay between formal processes and informal relationships contributes to the successful delivery of hospice performance. When asked to consider how good performance is delivered, of twenty-one clear responses, eleven interviewees refer only to relationships (see table6.2). '*I think that relationships you have with staff are really important. It is the leadership and day-to-day behaviours and emotional intelligence (Care, Barton*). In contrast, there are four who only mention management processes while a further six include both.

> *'I think there is always a commitment to always wanting to do the best thing for the patient and to be responsive to them. That is the underlying principle I think and they are supported to do so. I guess my role is to give the kind of structures and support for them to deliver that' (Care, Barton).*

To some degree, this reflects the perspective of the respondents. The CEOs and trustees present a balanced picture. Of the CEO's one is mixed, three are relational and one commented purely on the monitoring of performance. Of the trustees two speak predominantly about relationships and two about processes. However, no finance director purely comments on relationships while all but one of the business directors only do so. The observations below sum up the inter-relationships between people and processes in good performance delivery; reflecting the continuum proposed by Broadbent and Laughlin (2009) from communicative to instrumental rationalities. The CEO of Guinness describes a 'spirit of governance': an interesting combination of relationships within a process.

> *'She just is so good at what she does because she's got time as well as the heart to deliver that…There is no need for the spirit of governance...to permeate downwards because it's already there' (CEO, Guinness).*

Table 6.2: Delivery of good hospice performance

	Relationships	**Processes**	**Both**
Barton	CEO Trustee Business (fund-raising)		Finance Care Business (retail)
Cavell	Business Trustee		CEO Care Finance
Guinness	CEO Business (both)	Finance Trustee	
Nightingale	Business (both)	CEO Finance Trustee	
Seacole	CEO	Finance	
Total	11	4	6

Source: author's findings from case analysis

6.4 Who and what drives hospice performance information?

The CEO of Barton identifies two keys drivers of performance information: one internal and the other external.

> *'Our performance is driven by the patients but the performance measurement is driven by two: one is our (board) and the other is the reporting we have to do to our commissioners.'*

Indeed, the two bodies he identifies are acknowledged by the other hospices, although there are other significant drivers too. The question of who and what drives performance reporting was addressed as a general question to each interviewee although some chose to answer it in the context of their specific areas (such as clinical reporting or financial reporting). Internal drivers are either the board of trustees or the senior management team with mixed responses as to the relative importance of each. External drivers are regulatory bodies, most notably the CQC for clinical standards and the Charity Commission for financial reporting. Other external influences are from funders, both NHS commissioners and other non-NHS donors. However, as the case studies progressed, it became clear that other broader factors were indirectly driving improved performance reporting. A comparison of internal and external drivers is given in Table 6.3.

6.4.1 Internal drivers

In all cases, performance information is considered to be primarily driven by internal rather than external influences, summed up by the finance director at Nightingale. '*Certainly for me it's being driven internally. I mean I think that's the right place for it to come from. And our internal processes should have the right measures in them irrespective of what third parties want' (Finance, Nightingale).* At two hospices, (Guinness and Barton), the board is seen as the most proactive in driving performance

information by their CEOs. The Barton finance director describes the board as 'pulling' financial information, whereas he was 'pushing' information towards the heads of department. At Guinness, the care director comments that the '*more information they receive, the more they need again.'* However, other respondents at Barton qualify the role of the board in being the prime driver of internal performance measurement information. The Barton trustee, fundraising and care director all emphasised the role of the senior management team, rather than the board. '*It is largely driven by SMT but if we ask for anything in addition, they would provide that' (Trustee, Barton).* '*They trust what we give them but they do challenge and that is exactly how they should be' (Care, Barton).*

Views are more consistent at Cavell with three directors agreeing that the senior management team drives the performance information. The CEO, referring to accreditation processes including performance information, says *'we have imposed it on ourselves'* and his finance director agrees*:' I think it is me that drives the financial information with the support of the CEO and Finance Committee'* but she acknowledges that is 'a team effort.' At Nightingale, a change of senior management team has resulted in a new impetus, reviewing their performance measurement information. Initiated by the CEO, the directors have '*absolutely bought into it….working very hard within their departments to drive it' (CEO, Nightingale).* The recently appointed finance director is driving changes within financial reporting: *'I think certainly from the world we came from (private sector), by comparison it's a very undeveloped situation. And I think the fact that we've got board KPIs now that are really the touch point of the hospice, I think that's a good thing…KPIs can be a very positive way of finding out...we're on the right track' (Finance, Nightingale).* At Seacole, '*new managers with higher expectations*' and '*a change in appetite*' (*Finance, Seacole*) are seen to be driving changes despite issues of some staff acting as '*blockers.'*

Internal information is therefore a product of the relationship between the board and the senior management team. It can be more heavily influenced by either party, depending on how proactive the trustees are. The most evident influence of change is a newly appointed senior management team, such as at Seacole and Nightingale. *' I think it is about wanting to make sure our trustees are assured…that they have no surprises' (CEO, Seacole).*

6.4.2 External drivers

While internal drivers are considered to be dominant in driving performance measurement information, external factors are clearly important too. Clinical information is required from every hospice receiving external funding from NHS which exerts influence as a regulator (CQC) or as a funder (commissioners, usually CCGs).

> *'There's three drivers going on at the moment, really. There's the regulatory body, which is the CQC; there's the commissioners and then there's the board, obviously, for their governance responsibility. In terms of my time...I would say CQC, because without CQC we would be closed' (Care, Guinness).*

However, these external clinical information requirements are very dependent on the type of relationship each hospice has with their local commissioners. In three cases, there is a constructive, interactive relationship, with information requirements being determined by negotiation to suit both sides of the partnership. In the case of Barton, the care director speaks of the evolution of information over several years. *'It is better to tell them what we do or else they will be in control of your destiny. So the report we have, has been shaped over several years'* (*Care, Barton).* She describes it as giving the Commissioners a *'subliminal'* message. *'Look we know what we are doing, we will report to you but you*

do not need to instruct us to do anything different.' The Barton trustee believes the hospice management would produce the information regardless of what the CQC might request and saw these reports to the NHS as '*an opportunity to demonstrate that they are meeting their standards anyway' (Trustee, Barton).* At Cavell, the CEO is anticipating a '*more of a negotiated process'* with their NHS commissioners who want them '*to demonstrate our good performance rather than tick a box around something that is more to do with hospitals than hospices.'* At the time of the interview, the care director was very critical of the information requested by the Commissioners as it did not reflect the issues facing the hospice, as it was determined by standard NHS information more appropriate for acute hospitals. Guinness provides details of quality improvement projects that they were doing anyway: *'It's an already existing piece of work that we were going to develop. Because we're always developing and doing innovative practice. Rather than make one up, we'll use an existing one' (Care, Guinness).*

While some hospices have influence over the information provided, at Guinness, the demands of the commissioners are much more exacting: '*For me the driver is external ' (Business).* It is dealing with information requests from over 20 different commissioners, few of which are standardised while the board are also requiring a different style of clinical information. The business director is aware of her limited bargaining power and consequently feels that the pressures to provided performance information are external. *'One problem I have is that, as a charitable organisation, when it comes to negotiating with CCGs, I don't have any real consequences.*' She says it relies on their moral responsibility and the fact that they do not want a scandal.

In contrast, there is less pressure to provide performance information to non-NHS donors. The Accountant at Barton explains that philanthropic givers '*tend not to make any demands on us'* although he goes onto explain that donors require more information when the hospice

re-applies for funding rather than regular monthly reporting. Three cases made similar observations: that community donors/philanthropic givers do not ask for information but that does not reduce the need to provide information. The business director at Nightingale speaks of the Communications Strategy to engage people in a more interesting way bringing the hospice to life, through patient stories. '*There isn't a demand per se from, shall we say the donor community for information, but if we want to maximise our effectiveness there. Then, I think we have to be proactive in giving them the information' (Trustee, Guinness).* The finance director at Barton adds that they need to anticipate the need for information as philanthropic givers are reluctant to ask as *you don't kick a hospice do you?'*

Undoubtedly, there are both internal and external pressures driving performance measurement information but in four cases, both clinical and financial information is primarily driven internally (see Table 6.3). The senior management team rather than the board are the more proactive in determining information requirements. In the fourth case, Guinness, there was tension between internal and external drivers, '*a combination of both' (Finance*) and the board are proactive in demanding information. The trustee at Guinness describes it as *'a number of pushes from different sources*.'

> *'It (drivers of information) varies: clinical CCG, healthcare governance. I think the fact that we have a board of trustees means that we need to have an AGM, we need to engage in the community. So there are external factors, and then there's the usual internal mechanisms which I think replicate or are certainly getting towards replicating the normal protocol within any business' (Business, Nightingale).*

There is clearly some evidence of the levels of funding influencing the drivers of performance information, at least for NHS funding. (This will

be discussed further in Chapter 8). At Cavell, the care director *'pays lip service'* to the *'tiny bit of money'*, compared to the business director at Guinness feeling the external pressures. While Guinness was unlike the other cases in facing demands for non-standardised information from many NHS funders, this is more typical of charities as a whole. Hospices are not beset with requests for different types of information from their non-NHS funders and all, except Guinness, were dealing with a limited numbers of commissioning bodies who were open to discussion on what is appropriate information.

6.4.3 Broader and indirect external factors

From the cases studied, there would appear to be strong but influential indirect factors, driving the need for performance information. A change of key personnel, particularly of the CEO, results in new strategies, communications and ultimately reporting needs. '*When I came here two years ago, it's fair to say that there was quite an extensive programme of change that was needed*' (CEO, Nightingale). The impact of this change is commented on by three colleagues and the trustee. According to the business director, '*it's been a total acceleration of thinking'* since the new CEO was appointed. '*What I've seen is a shift in positive energy.'* He concludes that *'I do think the leadership thing is an intrinsic part of that driver of performance measurement' (Business, Nightingale).* A change of CEO resulted in *'professionalising the organisation, bringing in a strong senior management team who work together to achieve what we've set out to do' (Busines, Nightingale).* There have been similar process of change at Seacole, Cavell and Guinness although not as recently as at Nightingale. At Barton, the CEO credits the achievements of the previous sixteen years to the vision of his predecessor.

A change of personnel on the board brings new drivers, requesting different performance information. *'I think the trustees have cranked it up*

a bit' (Care, Guinness) since new trustees were appointed. The appointment of new board members with more commercial backgrounds is also indirectly influencing the demand for more information. *'We've got a different team on the board and they're pretty much business commercial and they've got a very different perspective of what they want to see' (Care, Guinness).* She goes onto to explain that the board are asking for more information on the growth in numbers of patients, in contrast to the commissioners who are looking for information on quality. At Barton, the board are becoming more proactive; a change which is attributed by the CEO to the Charity Commission expecting more of trustees. On the other hand at Nightingale, they exert less pressure of change: *'I think they're quite capable as individuals but they come perhaps from a different era and we do need to evolve that situation'(Finance, Nightingale).*

While the majority of respondents explicitly assert that the demand for performance measurement information is internally driven, some acknowledge implicit and indirect pressures which influence the need for more information. The trustee at Seacole commented on the '*bean counter society'* and his CEO sees increasing competition from the public sector. The external health environment is 'a *changing landscape' (Business, Nightingale*) with '*the increasing demand for our services for end-of-life care is a big hot topic at the moment' (Trustee, Nightingale).* This brings new pressures for reporting, particularly from the NHS commissioners. '*I think the CCG are finding their feet and making sense of it'* business director, Nightingale). The business director sees hospices responding in different ways: '*good hospices will be able to fight their corner better than those that are not forearmed and forewarned.'* It is clearly linked to having good information: '*those people who understand those parts of information begin to see the way forward quicker*.' The business director at Guinness anticipated that the commissioners will be making more demands: *'the financial pressures are on and they are looking at that information much more closely.'* She also commented that hospices are indirectly affected by

the political pressures under which the NHS is operating, citing the possible introduction of personal budgets.

At both Guinness and Nightingale, they acknowledge that they are operating in a more competitive environment. '*Increased competition has definitely been a factor. I mean I think people always like to love their local hospice but I think that has changed' (Business, Nightingale).* Increasing financial pressures bring contrasting influences on the drive for more information. On the one hand, the finance director at Guinness identifies not only the direct demand for information from the commissioners but also the indirect pressures from their financial position: 'W*ithout doubt the care team do need to produce somehow a great mountain of activity information for the commissioners on a quarterly basis very often, so it is part of that. Then you've got me coming along trying to identify the numbers to manage the business…We really do need to understand these things because I don't think our world is that certain financially' (Finance, Guinness).* Limited financial resources, combined with a challenging strategy, result in the need for more information. The trustee at Guinness explains how as a hospice they hold lower reserves than their counterparts but they also have an ambitious growth strategy. '*So we are driven by the need to increase and improve our performance reporting and monitoring because we were looking to make challenging advances, so the circumstances do dictate.'* On the other hand, the business director at Guinness explains how the lack of resources limits the information that can be produced:

> *'And it (reporting against outcomes) will be driven by the NHS and then disseminated out through commissioning structures and I think that's going to be the way it's going to go…I think that's going to be the way. I'd love to be the leader. I'd love to be the one who's there but we have to accept we're a charitable organisation. There's no money to do risky important pieces of work' (Business, Guinness).*

6.4.4 Internal drivers responding to outside pressures

It would seem from the interviewees that they consider drivers of performance measurement information to be predominantly internal. There is a different emphasis put on which of the board or senior management team are most influential although four case hospices would credit the senior managers as primary drivers of information. However, internal stakeholders are responding to external pressures, rather than to demands from regulators. These include the changing political landscape, increasing competition and the financial uncertainties that hospices face. A change of personnel – both senior managers and on the board, is predominantly the catalyst of change.

Table 6.3: Drives of performance information requirements

	Predominantly internal	Both internal and external	Predominantly external
Barton	Finance Care Business (fund-raising) Trustee	CEO Business (retail)	
Cavell	CEO Finance Care Business Trustee		
Guinness	CEO	Finance Care Trustee	Business
Nightingale	CEO Finance Trustee	Business	
Seacole	CEO Finance Business	Trustee	

Source: author's findings from case analysis

6.5 For what purposes is hospice performance information used?

'That's a bit difficult because I can see how we use it for all of those things (purposes) actually' (Trustee, Nightingale).

Interviewees were asked for what purposes is performance information used. As discussed in Chapter 2, accounting literature provides a framework for the purposes of performance measurement information. Henri's (2006) analysis of prior literature identifies four categories: as well as legitimizing and monitoring, he argues that it contributes to attention-focusing and strategic decision-making. In chapter 3, these are compared to organisational effectiveness, discussed in the voluntary sector literature. Information can be used to monitor performance against plan and justify how financial resources have been spent to an external audience, legitimising management actions. By reviewing management information, problems can be identified and decisions can be made about resource allocations. These four categories were used to ask interviewees about the purposes of performance measurement information and findings are shown in Table 6.4. Interviewees could choose whether to apply it to their specific area or respond generally about how information was used within their hospice. All interviewees were asked which of the four categories, defined by Henri, was the most important use of performance measurement information in their hospice. Each category was explained more fully, particularly attention-focusing – which was also explained as problem-identification. There was more clarification of this category following the first case study, where this had been used as attention-focusing, expressed in its outward role of communicating with the donors. In the following cases, it was broadened to attention-focusing including any kind of problem-identification. Strategic decision-making was abbreviated to simply decision-making. Legitimation was also described in terms of accountability. Monitoring was the easiest to understand without further explanation. Interviewees were also asked whether performance information was designed to 'prove' to external stakeholders the good performance of the hospice or was used to 'improve' their internal

operations. This was drawn from charity literature theory, particularly work carried out by the NPC (Pritchard, et al., 2012).

Of all the protocol questions, these produced the least insightful responses, partly as it was asked as a directed (closed) question toward the end of the interviews. An ambiguous picture emerges with the majority of respondents struggling to answer the question about the four purposes of performance measurement information directly, even after the categories had been explained in more detail. Eight of the twenty-five respondents reply with 'all four,' notably four of the CEOs interviewed. The CEO at Barton suggests that they are all there, arguing that they need to prove what they are doing to the commissioners, they use information to extrapolate what services they should be providing in the future, and they use the stories from the TAR to demonstrate their needs to potential donors.

Nine (in addition to the previous eight) make reference to performance measurement information being used for monitoring and is the most commonly identified category. With one exception, all Finance and Care personnel interviewed include monitoring. The care director at Barton suggests that achieving standards is her priority. No-one makes specific reference to attention-focusing as the only category. Two others identify it as the one category that they do *not* recognise in what they are doing. They both independently imply that attention-focusing comes at a later stage of organisational development. This hospice, Nightingale, has recently undergone major personnel changes, with all senior managers except for the business director being a relatively recent appointment. This could therefore reflect the state of development of a particular hospice.

Decision-making also has mixed responses with seventeen saying specifically that performance information is used for decision-making. However, three identify it as the one category that is *not* applicable to their hospice. All directors at Nightingale and Seacole identify decision-making

with citing its importance, given the financial instability that they faced at Seacole. On the other hand, the Accountant at Barton chose all except decision-making (ie monitoring, legitimation, and attention-focusing) on the basis that decision-making would require adhoc information outside the regular reporting. Only one respondent cites legitimation as the only important category of the four purposes of performance measurement information.

There is coherence across the roles which interviewees hold: all but one of the CEOs say all categories are important; all but one finance personnel choose monitoring. Similarly, decision-making is unambiguously identified by two trustees, with another trustee saying all four are important. Responses may reflect the particular experience of an individual. The care director at Cavell was a relatively recent appointment and sees her role as challenging the status quo so prioritised problem-identification (attention-focusing). In contrast, the business director at Nightingale was long-established in his particular retail role so recognises all four categories but suggests that this is not the same throughout the hospice.

Table 6.4: Purposes of performance measurement information

	Monitoring	Decision-making	Attention-focusing	Legitimation
Barton	CEO Finance Care	CEO Trustee	CEO Finance	CEO Finance Business (retail)
Cavell	CEO Finance Care Trustee	CEO Finance Care	CEO Care	CEO Care
Guinness	CEO Finance Care Trustee Business	CEO Care Trustee	CEO Care Business	CEO Care Business
Nightingale	CEO Finance Business (retail) Trustee	CEO Finance Business(retail) Business (fund-raising) Trustee	CEO Business (fund-raising) Trustee	CEO Finance Business(retail) Trustee
Seacole	Trustee	Trustee,CEO, Finance, Business	Trustee	Trustee
Total	17	17	11	13

Source: author's findings from case analysis

Many respondents imply that the four categories are overly simplistic and then struggle to make clear choices: '*Oh! This is hard!*' (*Business, Cavell*). The finance director at Cavell describes it as a sequence, although others suggest different orders in which you might use the information. Her trustee endorses this view: *Monitoring's first because if you haven't got that, the others don't flow. But you must have that in order to … Whichever way you look at it, it's all of them'. (Trustee, Cavell).* One describes the categories as '*feeding off each other*'. *I mean I could say that, they all feed each other, don't they? But you have to start somewhere, don't you I suppose. …There's no point in monitoring something … you can't monitor something that you haven't identified I suppose is what I was thinking' (CEO, Nightingale).*

Respondents were also asked to say whether performance measurement information was being used to 'prove' to external stakeholders what they had achieved. This was contrasted to using this information to 'improve' their internal operations. Respondents are mostly much clearer in their responses and much in favour of using information to improve how they managed the hospice with only two choosing the 'prove' category outright. Most acknowledge that there is a balance between the two. This is consistent with the findings of the previous section (6.4), where the majority suggested that information was driven by the needs of internal rather than external considerations. At Nightingale, the CEO suggests that they have to prove first what they are doing but could then move onto improving their internal operations. This is consistent with her detailed description of their strategic process earlier in the interview. Moreover, hospices produce a very different response to that of the NPC (Pritchard, et al., 2012) survey of 1,000 charities which concluded that only 5% saw performance measurement information being used to improve or demonstrate their performance.

'I think it's a mixture of both (prove versus improve) to be honest. We can use it as managers and trustees to improve, but I think to the public we use it to demonstrate our worth' (Finance, Cavell).

It is clear that information is being used in many ways for different purposes. To some extent, it is artificial to separate out the four purposes identified by Henri. However, most respondents are concerned with improving their operations rather than proving to the outside world what they have achieved.

6.6 Conclusion

As is expected from the voluntary sector literature, good performance in a hospice is difficult to determine. The NPC research suggests a good death as the overriding outcome but this is only cited by two of the interviewees and presents some immediate problems for performance measurement. The Trustee at Seacole commented: *'You could say we had 100% death rate and everyone was happy that they died?*' More interviewees express it in terms of patient and family experience; but as a CEO added '*How can you measure someone's experience when they are dying. For goodness sake, none of us are experts at it and when we are, we're not here to tell the tale.'* This is taking an extreme example, but illustrates how hospices and at least some other voluntary sector organisations face problems in measuring their ultimate outcomes. Many interviewees comment on how difficult it is to measure success, even when it not the perspective of the dying patient.

> *'The success is a very difficult thing to put forward. There's facts and figures that we see so many patients, so many beds are filled…but there is an unknown side. How do you measure the bereavement of a family, how do you measure how they coped with it, what is the success of the hospice in allowing them to cope with that?' (Trustee, Seacole).*

The voluntary sector literature neatly defines outputs and outcomes but such distinctions are not observed in practice. In particular, the quality of life (an outcome) is easily muddled with the quality of service (an output). This analysis shows how perceptions of performance delivery can vary depending on the role and concerns of the respondent. Predominantly, business directors are concerned with relationships and finance directors with processes. Whereas the interviewees' functional role influences their approach to service delivery, it is the context of the case that determines what they perceive to be the drivers of performance

information. The recent appointment of a CEO and/or senior management team makes a significant impact. Broader societal changes, such as within the health economy, underlie this. While this analysis suggests that fine-tuning distinctions between the purposes and uses of performance measurement information is not meaningful, there is an overwhelming conclusion that they produce information to improve rather than to prove to external stakeholders how well they have done. This is not typical of the majority of UK large charities (Pritchard, et al., 2012).

If outcomes are intangible and contested, if outputs overlap with outcomes and some outcomes are outside the control of the organisation, then effective and comprehensive performance measurement is likely to be problematic. Chapter 7 examines what performance measures are reported internally and externally by the case hospices and whether they are aligned and integrated with the outcomes and outputs, identified by the interviewees here.

Chapter 7: Hospice performance measures and measurement systems

7.1 Introduction

Chapter 6 considers what good performance in a hospice looks like, how it is best delivered and the drivers and purposes of performance management information. This chapter addresses what actual measures are reported both internally and externally across the five case hospices. It seeks to answer the third sub-question of the research - how is hospice performance measured; a key question identified by Connolly et al. (2015) in their call for field studies and a core question within Ferreira and Otley's (2009) PMCS. It demonstrates how the diagnostic lever of control operates, described by Simons (1995, p. 59)as the 'feedback systems which are the backbone of traditional management control.' They 'monitor organisational outcomes and correct deviations from pre-set standards of performance' (Simons, 1995, p. 59).

This chapter analyses the type of performance measures used by the five hospices to monitor the inputs, outputs and outcomes, by employing the voluntary sector 'logic model' as a framework, discussed in Chapter 3. This enables a discussion about how the hospices measure their efficiency and effectiveness. Following the analysis of the SIRs and TARs in Chapter 5, an alternative method of reporting hospice effectiveness is proposed: how they align their performance measures to their strategies. This one of the three criteria for successful performance measurement systems identified from management accounting literature in Chapter 2, with the other two being diversity and integration. All three criteria are used to analyse the PMSs of the case hospices, enabling a discussion of whether the case hospices are operating mechanistic or organic control (Burns and Stalker, 1994) and transactional or communicative rationality (Broadbent and Laughlin, 2009).

This chapter compares what is considered to be good performance and its delivery in Chapter 6 to what is actually measured. This reveals gaps in the performance measurement systems used by hospices. It demonstrates the limitations of applying the generic PMCS (Ferreira & Otley, 2009) to the voluntary sector and makes suggestions how this could be modified. Moreover, it argues that performance is assessed in other ways. As well as using the formal reporting of performance measures, informal judgement is used to 'diagnose' or understand performance.

7.2 Performance measures

7.2.1 Inputs

Formal inputs are controlled primarily through hospice accounting systems. The largest input into running a hospice is the staff team, making up about 70% of the cost base, varying from 61% to 73% across the five hospices. Other significant costs are the patient-related costs, shops, fund-raising, property and depreciation. These costs are controlled by department through budgets and monthly management accounts in all case hospices. Departments are categorised by either the service provided (eg in-patient unit, hospice-at-home, chaplaincy), by commercial area (retail, fundraising, lottery) or supporting function (eg finance, catering). A typical set of monthly management accounts reports actuals against budget for the month and year-to-date. Cavell, Nightingale and Guinness also compare financial performance to the full-year budget; Cavell and Seacole report against the previous year-to-date financial figures. Guinness reports against a monthly forecast and compares the total year forecast to the budget. Full management accounts are circulated monthly to the senior management team and heads of department. Trustees with particular responsibilities for the financial management of the hospice (such as those on the Finance and General Purposes Board subcommittee or its

equivalent) also receive monthly financial information. All boards receive a quarterly summary with the income and expenditure, with four getting a balance sheet and cash flow. Updated forecasts are also provided to the board in at least three cases. Management accounts are accompanied by a commentary, albeit this was under development in one case. A trustee who had come from a senior financial role in the NHS commented on the detailed level of these accounts and the high quality of the narrative that accompanied them. Others present it as clearly as possible, with one using cloud symbols to demonstrate good and bad news.

> *'I just do a very simple commentary (for the board) down the bottom there as well. I just believe in keeping things straightforward because I've found that people with the best will in the world, they don't understand the figures side of things…I'm not hiding anything, I just want to keep things simple and give that message. (Financial, Nightingale)*

Not all inputs are controlled by accounting systems. *'I think there is an area where it is difficult to measure which is our volunteer side' (Business, Barton).* This significant input is not often recorded in the Statement of Financial Activities (SOFA) or the management accounts. Another significant input is also unrecorded in the SOFA in three of the five hospices – donated goods. There are a number of non-financial reporting mechanisms to monitor staff and volunteer inputs. Barton and Seacole report staff absence and turnover. Nightingale reports on vacancies and equality. Guinness and Nightingale record staff training and employee numbers. All hospices use individual annual appraisals to assess staff performance. Staff surveys are used to obtain regular feedback on how satisfied they are with their working environment in all cases. Volunteers are reported internally in a variety of ways with Barton providing an extensive analysis, with a detailed analysis of volunteer numbers by job category, hours undertaken and implied value. Other hospices do not analyse this in as much detail, although all hospices report volunteer

numbers in external documents. Internally, four hospices report some kind of measure on volunteers, even if it is a different set of measures in each case. Guinness reports volunteer numbers, Nightingale measures volunteer turnover and Barton monitors volunteer training. Cavell analyses the backgrounds of its volunteer workforce by age profile, their backgrounds, where they are working, what they are working on and turnover rates.

> *'The bit that's really difficult to measure is the added-value of being a charity with its volunteers and all its buy-in and people… and that's the bit that you can't quantify' (Care, Cavell).*

7.2.2 Outputs: clinical performance

For every hospice studied, the performance measurement information reported to the board, other than the management accounts, mainly concerns clinical performance. As we have seen in Chapter 6, the CEO of Nightingale distinguishes between clinical volume and quality information. Volume data is activity levels relating to the provision of services. Externally, this is provided to statutory funders, as an annual Quality Account and is made available to the general public via the website in three cases. A Quality Report is used to update commissioners quarterly in two hospices. One provides extensive activity data to the commissioning groups on a monthly basis within each of the service areas. For example, the in-patient unit typically reports on the number of beds, admissions, discharges and deaths. Day hospice services are measured by numbers of referrals, attendances and sessions provided. For Hospice-at-Home services, the number of referrals, visits and contacts are recorded. Specialist community nurses report their face-to-face and telephone contacts. Other services,such as lymphoedema, bereavement support and additional therapies, measure the numbers of patients for whom they have cared. The quarterly reports contain similar performance information to

the annual Quality Account but with less narrative and more monthly activity levels.

Activity information also dominates the non-financial reporting in the TAR in all five cases. This is consistent with the reporting of performance by voluntary hospices in the UK and Wales generally. Every activity measure cited somewhere within the 148 hospices is reported by at least one of the five hospices studied. These are usually reported as absolute activity numbers with no year-on-year comparisons or targets, both in the TAR and the other communications to the general public, such as newsletters and Annual Reviews. Even in the one example of an impact report, the quantitative measures are predominantly activity information. Typical output measures include numbers of patients and families, bed days, referrals, treatments, respite breaks, deaths/discharges, contacts (including telephone calls and chaplaincy conversations).

Internal clinical reporting is also largely activity or output measures. At Barton, of the 67 KPIs on their monthly dashboard, 45 are clinical activity/output measures. These are compared to targets set by month and year-to-date and to an annual target. Senior managers are given clear responsibility for meeting these. A further 8 measures also come under the responsibility of the care director. All other hospices report on activity levels, in terms of volumes, in some form. At Cavell, activity data (eg patients, referrals, discharges, deaths, visits, telephone calls) given to the three local commissioners (CCGs) is presented by month by service to the board.

Hospices are expected to report quarterly on clinical quality (as opposed to volume of activity) measures such as the management of pressure ulcers, slips, trips and falls, medicine management, infection control, complaints and compliments, any clinical incidents and safeguarding of children. Typically, trustees get the same information as the commissioners' annual quality accounts and quarterly quality reports

whereas a clinical board sub-committee (made up of trustees with particular clinical responsibilities and senior clinical staff) will receive more detailed and more frequent information. For example, at Barton, the Hospice Services Committee, a bi-monthly meeting chaired by a governor, receives internal performance information from a clinical sub-committee. The care director at Cavell is critical of the information required by the commissioners as it is made up of standard NHS hospital measures, many not applicable to a hospice. Meeting CQC standards can also be considered a quality measure. In two cases, the most recent CCG inspection report was posted on the hospice website. Guinness also differentiates between on-going quality standards and strategically chosen Quality Performance Indicators (QPIs). It has also identified 38 clinical measures which are reported to the Care Governance Group and Care Assurance committee. These are grouped under five clinical objectives of ensuring services are responsive, caring, well-led, effective and safe. This comprehensive set of measures has a variety of reporting mechanisms: narrative reports, outcome databases, exception reporting, audits and activity numbers. They have designed 44 quality performance indicators with targets against which they will report on in the future to the CCGs.

7.2.3 Outputs: commercial performance

Given their dependency on sources of income other than from public sector bodies, reporting of their commercial activity is vital to the hospices' financial sustainability. All case hospices operate shops with separate statutory reporting for their trading companies. These funds, together with that generated through running lotteries, are consolidated into group accounts and provide financial performance information externally. A few TARs make reference to the numbers of shops but there is little additional non-financial external information. Internal reporting of commercial activities typically includes a range of retail output measures such as daily or weekly sales, average prices, shop margins and

profitability, footfall, giftaid %, proportions of donated goods and sales by product category. Two hospices operate EPOS (electronic-point-of-sale) systems, giving them comparable information to a high street shop, whereas at one, the director responsible commented on relying on shop staff to provide feedback on customer numbers and feedback. Control here is maintained through detailed budgetary control, with sales targets by shop, and even by shop by day at one hospice.

Fundraising performance is also monitored by means of comparing financial performance against the budget, typically by income stream, such as events, individual and corporate donations, lotteries, trusts and grants. Every income stream is then broken down to provide targets for every fundraising event. Some case hospices operate a donor or customer relationship database, from which adhoc information can be extracted to analyse patterns of donors giving. Non-financial measures include how many donors have been converted to other forms of giving. For example, this might analyse the number of people that have attended a particular event, and how many people have been converted to do more than one thing, or become a regular supporter, or have been offered other 'products'. Other examples include mapping donations from one event to another to find differences in participation. One hospice looks at 'recency, frequency, and monetary value', looking at patterns of individual giving. They can analyse geographical areas by demographic make-up, allowing them to target areas that have been historically underrepresented. Information can be acquired to analyse the potential donors through wealth profiling.

7.2.4 Outcomes: patient satisfaction

> *'I have a view that the patient outcome or the patient's experience, is whether or not they were treated in a way they should have been treated medically, clinically. And also their experience of the whole*

thing: Were they told where to go at the right place? How did they speak to them? Were they able to get the food they wanted? All of that whole treatment of the whole healthcare' (Trustee, Nightingale).

As we have seen in Chapter 6, the NPC considers the hospices' overriding outcome to be achieving 'a good death', suggesting three outcomes that contribute to this. The first is 'quality of life'; a view endorsed overwhelmingly by interviewees from all hospices. As patient experience is considered central to good performance, all hospices report patient satisfaction in some way. '*When you start to hear and understand the patient stories…for me that's the key indicator' (Care, Barton).* At Barton, formal patient feedback is collected through patient evaluations and focus groups. Cavell and Nightingale have patient satisfaction surveys. At Nightingale and Seacole, there are suggestion boxes for compliments and improvements. Despite being inundated by compliments, '*you've got to be able to dig deeper...there are always areas for improvement'* (CEO, Nightingale). Guinness provides extensive qualitative feedback from patients and their families in their quarterly reporting and their families by each of their five services areas, with actions taken to improve their performance. One has appointed 'patient ambassadors', who have input into hospice developments. For example, they attended meetings, pilot new services and give advice on questionnaire design. A business director comments that trusts are increasingly looking for the reporting of outcomes. '*They are looking for the comments that are received and evaluation forms. We use a lot of comments based on the evidence' (Fundraising, Barton).* Her colleague at Nightingale also uses feedback forms to demonstrate improved experience to foundations.

7.2.5 Outcomes: clinical performance

While patient and family experiences are extensively monitored by all hospices, few other outcomes are measured. Only two hospices use the term 'outcome' as an explicit part of its reporting aspirations. The business director at Guinness explains why more information is needed, above and beyond outputs or even patient satisfaction. *'We've made so many visits to so many people (but) that doesn't tell me anything that I can sell. I need to say what happened during that visit, what difference that made to the family. And, again, that's the kind of thing that doesn't really come across in a KPI. Those are, again, outcomes' (Business, Guinness).* Her colleague explains that they aspire to describing social value, hoping to put numbers on interventions, giving examples such as supporting a family member '*going through a very tough time, stopped her going off to the GP, stopped her being referred to mental health services' (Finance, Guinness).* In contrast, the trustee at Cavell comments: *'I'm really struggling with outcomes. They're all a bit subjective…we've helped them die.'*

At all the hospices, the reporting of some outcomes is implicit, such as preferred place of death (Barton, Cavell, Nightingale) and numbers of non-cancer patients (Barton and Nightingale). Nightingale also reports acute admissions avoided. One (Barton) has analysed its referrals by geographical area by particular diagnosis (ie types of cancer and non-cancer) and by patient age and gender. It also gives details of Citizen Advice Bureau support, including the value of benefits obtained. Guinness however is alone in developing an operational plan with an overt focus on outcomes. For each of its four goals, there are objectives linked to actions, milestones, inputs, output and outcome measures.

7.3 Efficiency and effectiveness

7.3.1 Efficiency

If the logic model is to be followed mechanistically, efficiency should be measured by comparing inputs to outputs. From the cases

studies, this is evaluated by hospices only in a few specific scenario. Return on investment (ROI) is calculated in relation to fundraising, comparing costs to income generated and by store. Occupancy is arguably a comparison between inputs (available beds) to outputs (beds used). It is reported by four hospices and in several cases, it is considered one of the most important KPIs. The business director at Guinness argues that it is the key driver of the financial model. The CEO at Nightingale picks it out as the most important measure to ensure that they are serving the wider community's needs, allowing as many as possible to benefit from their service. *'Activity's important because I think one of the things that make xxx stand out. Compared to some hospices our occupancy is very, very high' (CEO, Nightingale*). Cavell reports efficiency-style measures to CCGs, such as bed-days by month and length-of-stay. Nightingale also highlights average time spent with patients, either face-to-face or on the telephone and the speed of referral. Despite these significant exceptions, efficiency as defined according to the logic model is conspicuous by its absence. Moreover, the hospices are arguably not attempting to create the most 'efficient' operation. *'As far as I am concerned, there is a red-line...I am not going to have the NHS turn round to me and say you have plenty of staff; you can reduce your staff* '(CEO, Barton).

> *'This is quite a hard one actually because whoever you're talking to would have a different view on whether we could be more cost-effective. I think the level of staffing that we have has been reviewed by a specialist to ensure that we have the appropriate level of staffing, but I know that it's still far more than you would have on a ward in a hospital' (Finance, Cavell).*

Notably, hospices have struggled to create a meaningful cost per unit of activity, such as cost per bed or per patient per service. Several acknowledge such information would be very helpful, (despite the comment by the trustee at Guinness below). Such information is seen to be

useful by those negotiating with commissioners and fundraising staff communicating the hospices' needs.

> *'So one of our challenges that we're still trying to resolve is, should we try to establish a unit of output? I don't think there's a huge lot of desire to go down that route, but it's trying to get something that enables you to assess performance from one period to another. And it's hugely difficult and in terms of that, it's reflected in our negotiations with the commissioning groups as to how much they should be giving us for the service we provide, and how do you measure that service, and therefore what should it cost, how much does it cost per bed night to support a (patient) and what do you put into that?' (Trustee, Guinness).*

At Barton, they are yet to develop it beyond a simple 'layman's calculation', albeit with full cost recovery but are hopeful that the recent appointment of an accountant will help. *'Now we have a lead accountant, we are now looking at unit costs and a kind of pricing matrix...I would like to get some kind of cost/activity matrix, which is really powerful for the staff as well in terms of understanding how much a typical visit costs' (Care, Barton).* The business director anticipates such information could affect the length of stay of patients as no time limit is currently imposed.

At two hospices, costing information has been generated to help their fundraising teams. Nightingale has calculated several examples of hospice costs but this is for marketing, rather than financial control purposes. For example, what level of donation used to show how much is needed to pay for a book for a bereaved child, a syringe driver, an in-patient stay or a therapist for a year. Nevertheless, the finance director describes the costing as 'primitive' and 'basic'; the business director as 'naïve'. His trustee says:

> *'I want to know how much it costs to run a bed here. I want to know how much it costs for somebody to come and visit the day-*

> *case unit. I want to know how much it costs for specialist palliative care, first visit and follow-up. I want to know how much it costs for the hospice-at-home service. I'm not quite sure what currency you would use for that but how much does it cost for counselling? It is going to be a difficult exercise to do but we need to do something' (Trustee, Nightingale).*

At Cavell, the CEO acknowledges there are no costs by activity, although there are cost-of-care examples used for fundraising. At Guinness, they acknowledge that they are struggling to find meaningful cost information. Costing information needs to be more than providing marketing information but produced on a credible activity basis. '*When we calculate the cost per (patient), per bed, night or the cost of each unit of any activity, there is precious little of those calculations that is driven by activity information' (Finance, Guinness).*

Efficiency measures have been selected by one hospice for particular focus, although these are not calculated as the ratio of inputs to outputs, defined in the logic model. Nightingale has a scorecard of KPIs which is balanced between clinical services and other areas of the operation (retail, fundraising, HR, finance and governance). Only 5 of the 22 key measures are clinical and all are targeted on efficiency. Clinical measures include bed occupancy, average length of stay and speed of response to referral times. They also match the key performance indicators reported to the commissioners quarterly. Other perspectives on their scorecard are also efficiency-style measures. Retail measures include profit per square foot; fundraising has average donation per respondent; finance has required resources against reserves. HR reports sickness, volunteer turnover and vacancies and they even measure attendance of trustees at board meetings. All measures are RAG (Red, Amber, Green) rated, measured by quarter with brief narrative explanations.

7.3.2 Effectiveness

If the logic model is to be used to assess effectiveness, outputs should be compared with outcomes. Guinness is the only example amongst the case studies to attempt to do this. Outcomes are measured indirectly through output measures. For example, the first goal is 'expanding and improving care services' with objectives of training and recruiting care teams, providing outreach services and building partnerships. Measures include recruitment undertaken, speed of clinical response, increased numbers of patients supported and improved service delivery.

Hospices were asked how they ensure that they are cost-effective, given the priority given to this in the King's College report (Hughes-Hallet, et al., 2011). Responses would suggest that it depends on which stakeholder's perspective is taken. Several respondents consider this from the commissioners' point of view. If they are getting a service for 30 to 40% of its cost, and if they pay less to the hospice than having a patient in a hospital bed, it is clearly cost-efficient for them. One commented that the commissioners should be exercising their judgement and take a view on how cost-effective the service is based on their experience.

> *'There couldn't be better value for money than that: 60 per cent of it is paid by somebody else!' (CEO, Nightingale).*

> *'We're saying do it with us, because we're set up with charitable funding that will enable us to provide it for you, and we're only looking for a third of the cost, rather than 100% of it' (Trustee, Guinness).*

> **'***It is a conundrum isn't it? It depends what you are measuring against. If you are measuring against a hospital environment so you know what does it cost to a have patient in a bed in a hospital for 24 hours compared with a patient in a hospice, and they have*

tariffs to do that in other health provision. But then you know what actually is good value?' (CEO,Cavell).

Alternatively, it can be seen from an internal perspective, with the board and senior management team considering whether the hospice is getting the best value from its resources. Respondents cite the significant contribution made by volunteers. As we have seen, several hospices report the implied value of the hours offered by volunteers.

*'They (commissioners) get a very good deal from the hospice...with £xm volunteer value' (Care, Barto*n).*'Of course our volunteers are an absolutely critical resource … If I tell you that last year nearly £0.xx million was saved through volunteers in the hospices alone. It's a staggering figure' (CEO, Guinness).*

'I think our value for money is primarily centred around the additional service that is offered through our volunteers. We've got some phenomenal volunteers. I mean, if you're looking at retail, we've got, what, 1x00 volunteers that support the shops, the work we do. We've got over x00 volunteers across care' (Care, Guinness).

It can also be achieved through effective processes, such as working patterns and procurement. At Guinness, they have been considering whether non-specialist aspects of the nursing jobs (such as washing-up or ironing) could be carried out by less well-qualified staff or volunteers.

'We are prepared to work across the organisation to reduce procurement spend. So we shouldn't be buying retail, we should be buying wholesale – it means joining up and having one contract covering a number of things' (Finance, Guinness).

> *'The process is obviously important, the efficiency of that process is important. We're currently reviewing all our income processes and making sure that they are efficient' (Finance, Nightingale).*

Despite the lack of costing, some accounting practices are being encouraged such as cost-benefit justifications for projects at Nightingale and post-implementation reviews at Cavell. The finance director at Cavell argues that staff are the most likely to know where costs can be saved, a view consistent with continuous improvement philosophies such as TQM.

> *'I don't have all the answers, so those people that work in those areas are the best people to know where they could improve their service or they could reduce their costs' (Finance, Cavell).*

Hospices use benchmarking processes, albeit in very different ways. *'I need a benchmark in order to try and understand what cost-effectiveness is' (Finance, Barton),* a view supported by the trustee at Guinness. In response to the question of how cost-effectiveness can be measured, he replied:

> *'As an absolute, no; as comparables, are you improving your cost-effectiveness year-on-year and how does your cost-effectiveness compare within your own organisation and against other hospices, and we do have some sharing of key measures across several other hospices. So that would be not an absolute measure, but certainly a comparable measure that I think helps' (Trustee, Guinness).*

> *'So I think hospices could be guilty of just saying, 'We're wonderful,' with no external references' (Care, Cavell).*

At Nightingale, they have benchmarked themselves against regional hospices with the finance director attending a local hospices group. Guinness has also used a national KPMG survey on health issues more generally. Where several hospices operate within one charity, internal

comparisons can be drawn but respondents are keen to point out this has to be done carefully due to the different services offered by each hospice. At Seacole, the commissioners are attempting to make comparisons with a local competitor hospice. CEOs also talk to their counterparts at other hospices to make informal comparisons. At Cavell, they use third sector data to benchmark their performance against national fundraising measures. At Barton, they are hoping to share data on retail operations with a regional group. This is not without its problems: a care director said hospices were reluctant to share data.

> *'The trouble is you're measuring apples and pears. I mean we know it doesn't really say a lot but we have showed that to our commissioners and we do talk to them about benchmarking and work that we'd like to get involved in more with Hospice UK as it evolves around benchmarking and outcomes' (CEO, Nightingale).*

> *'At best, you're going to look at it and explain away why you're different' (Trustee, Cavell).*

Process changes to make improvements have to be made with great care to preserve the culture of the hospice. Many staff have left the NHS and come to hospices due to frustrations over reforms being perceived to be at the detriment of a caring environment. Many are concerned to maintain the holistic philosophy of hospice care. To break down services into cost-effective service packages risks undermining the fundamental approach advocated by hospices.

> *'It is part of the holistic service we provide. And so those measures remain work-in- progress as to how do we actually capture that without us losing sight of what we're about. We're not about generating units of output; we're about providing care, but how do you actually measure that?' (Trustee, Guinness).*

For some interviewees, cost-effectiveness is as much an attitude as a process. '*I think it's definitely a bit of both'* (*Finance, Nightingale*). Several respondents commented on the sense of responsibility among staff to ensure they are incurring expenditure prudently. Some commented on how staff are acutely aware of how long it has taken a volunteer to raise the money through an event, tin collection or by serving in a store. Another spoke of being brought up to look after money carefully.

> *'I would say that people are conscious about money, so at an individual level they will search around for the cheapest place they can buy something' (Finance, Guinness).*

> *'We are quite thrifty actually. Quite different from the NHS...We don't use a lot of bank staff or agency staff because the team is so good at working together that they will work extra shifts. We have to use now and again but it is a different kind of mind set. There is an awareness that the money that comes in is often old ladies shaking a tin' (Care, Barton).*

Cost-effectiveness remains '*a very, very tricky subject in this sector' (Finance, Guinness).* She suggests that asking how many productive hours a person actually delivered requires a '*massive, massive cultural shift for this organisation.*' The finance director at Barton describes the effect of discussing cost-effectiveness as '*corrosive*.' There is moral pressure; he asks who could deprive a patient of expensive oxycodone even if the budget has run out. It is also culturally bound up with not being like the NHS.

> *'In part, I think…that the NHS has lost its plot in terms of what it is really about. It is driven by business and not necessarily focusing on care. That's one thing but having said that we do need to be effective but the metrics need to be different' (Care, Barton).*

7.4 Diverse, aligned and integrated performance measures

In chapter 2, three criteria for an effective performance management system were set out. Measures should be diverse, including non-financial as well as financial measures**.** Measures should be aligned to the organisational strategy, an essential component of the Ferreira and Otley (2009) PMCS framework. Measures should also be integrated, demonstrating causal relationships between measures, such as within a BSC. The reports used by the case hospices to present information to the board illustrate different styles of internal performance measurement systems, each partially meeting these criteria.

7.4.1 Diversity of measures within the case hospices

Analysis of the performance measures, set out in Appendix 9, clearly shows the diverse range of both financial and non-financial measures used by all the case hospices. Inputs are predominantly financial measures or costs controlled through management accounting systems, while outputs are activity measures, the majority of which relate to the clinical service provision. Barton's dashboard of key performance indicators is an example of a performance measurement system that is clearly diverse but not aligned nor integrated with 53 of the 67 KPIs, being clinical activity measures.

7.4.2. Alignment of measures to strategy within the case hospices

Three case hospices do not merely report diverse measures but strive consciously to align performance measures to their strategy. Cavell has identified critical success factors, linked to their strategic themes, under the banner of 3Ps: patients; people; and pounds. These are measured in a variety of ways; for example, one CSF is concerned about clinical performance- the efficiency and effectiveness of access and

availability of services. This combines quantitative targets, such as occupancy, increased numbers of referrals, with action plans such as the recruitment of staff in targeted services. Nightingale uses a BSC format and is clearly working towards alignment. Just prior to the interviews, a presentation of their plans for their strategic process identified strategic alignment as one of five key characteristics of good management information. They had developed a vision and mission for the hospice and each director had drawn up a departmental strategy for their area of responsibility to deliver this. A BSC of KPIs aligned to this was already in operation and departments were working on detailed departmental operation plans and key performance measures at the time of the interviews. However, no causal links are established between the different perspectives. It bears some resemblance to the non-profit scorecard set out by Kaplan (2001), such as including measures for donors and beneficiaries, as opposed to private sector customers. The scorecard perspectives are defined by organisational responsibility rather than the non–profit perspectives (mission, donor, beneficiary, finance and operations) suggested by Kaplan (2010). These do not constitute a causal model as there is no strategy mapping nor cause-and–effect linkages.

7.4.3 Integrated performance measurement systems

One hospice, Guinness, sets out to achieve all three criteria with a diverse, aligned and integrated performance management system by including inputs, outputs, outcomes and measures. Four strategic goals drive the activities and objectives of the operational plan. For example, the goal 'expanding and improving our care services' has an activity called 'building the right capabilities'. Actions include recruitment, training, monitoring patient outcomes and developing impact measures. Most objectives have specific outputs as actions or numbers recruited or trained, visits or referrals increased. Outcomes are less clearly defined, either as

outputs (increase in numbers), improvements to service (rather than the outcome of a patient) or as a 'contribution' to the overall goal of supporting more patients. They are developing a scorecard by each goal based on measurable inputs and outputs. They will separately report against 44 quality indicators as measures with defined acceptable levels of performance. However, as outputs and outcomes are not used to calculate any measure of efficiency and effectiveness, it does not fully achieve the objectives of the logic model.

Control is exercised not just by measures as both Guinness and Cavell include milestones in their performance reporting. Seacole uses the operational plan, drawn up from its strategy, to monitor actions '*with deadline disciplines'* (CEO, Seacole). This is very detailed including 40 pages of actions, all RAG rated and reported to the board. The finance director at Guinness poses a fundamental question:

> *'How was that money helping us achieve our own broad objectives? So the number one question that tends to trot out of my mouth is, 'That sounds a fab idea, but how does it help us do what we set out to do?' (Finance, Guinness).*

In Chapter 5, it is suggested that effectiveness may be considered by looking at achievements against plan. Four of the five cases hospices demonstrate this through their internal reporting, by aligning measures to strategy, measuring outputs and outcomes and reporting against narrative action plans. Hospices also report their achievements externally, through clinical and financial reports. Quality Accounts show how hospices have achieved their goals and what their plans are for the future. Three hospices report against improvement and innovation goals agreed with the commissioners. As we have seen in Chapter 5, a review of the returns to the Charity Commission, the charities over £1m were required to report their achievements against objectives in the SIR upto 2014. The first phase of the research investigated the strategic alignment of hospices throughout

England and Wales by looking at how well the aims, strategies, annual objectives and achievements are aligned in the annual SIRs. Thus, both internally and externally, effectiveness can be considered as whether they have achieved what they set out to do in the hospice's strategy. This research suggests that a different interpretation of integrative reporting is more suitable for the voluntary sector. Rather than integrating performance measures within causal models, performance is reported by integrating words and numbers. Both milestones and numbers are reported by three hospices; Cavell, Guinness and Seacole. Appraisals rather than reward systems are used to maintain internal control in all case hospices.

7.5 Strategic processes

'I find it quite uplifting, quite inspiring. I think everything we do on a day-to-day basis is really led by the strategy' (Business, Guinness).

The case hospices all follow strategic planning processes that are consistent with the Ferreira and Otley (2009) PMCS framework. A care director here describes the strategic planning process at Guinness:

> *'We have the strategy, which is, obviously, the top line – we're going to invest x amount so we can increase the numbers of (patients) and families that are going to receive the service from us. Then we have the next layer down, which is our operational plan and some of the things that we're going to do to be able to achieve that. So that would be about, you know, 'We're going to recruit three outreach nurses', 'We're going to recruit volunteer coordinators that can actually bring in the volunteers to achieve the additional numbers'. And then the next stage down is more departmental and that was what we call our…well, it started off as a document with key performance indicators but we actually call them quality performance indicators now' (Care, Guinness).*

Four of the five hospices set quite specific, strategic goals: '*picking out two or three key deliverables' (CEO, Cavell).* One summarises their hospice strategy as '*people, patients, pounds*'; another as '*care, influence, innovation'*; a third identifies their overriding objective as looking after a certain number of patients by the end of the decade and the fourth has set out twelve strategic priorities. These goals are measurable in three cases and therefore can be considered equivalent to the 'key success factors' of the Ferreira and Otley framework. They are also linked to external accountability, reporting back in the Annual Review against what they said they would do.

> *'Then each year producing an annual review and part of that will be we said 'we were going to do this, and this is where we're up to'. So either we've fully met that aim or objective or it's part way there or we're not going to do it now because' (Business, Nightingale).*

7.5.1 Mechanistic control and transactional rationality

It can be argued that hospices are using mechanistic control. Burns and Stalker (1994) suggest this is characterised by a hierarchical authority with specialised functions and technical tasks, such as the clinical, commercial and financial roles within a hospice. There also are elements of transactional control (Broadbent & Laughlin, 2009) with formal rationality in setting performance indicators, numerical measures and rational authority. There is the need for rules of behaviour, particularly for clinical compliance. Strategies are translated into operational plans by all hospices, in a manner consistent with the Ferreria-Otley framework '*Whenever we're setting an organisational strategy, it always has to link back to the vision' (Business, Cavell).* Interviewees refer to separate departmental strategies (such as fund-raising, retail, clinical, communications, estates). One commented on how they were working to improve the links between the clinical governance strategy and the overall

hospice strategy as *'they didn't marry and…should be interdependent' (Care, Cavell).* At the largest hospice, the organisational structure includes strategy implementation groups. The 'top line' strategy, determined by the Strategic Development Group, drives the operational plan with specific actions for middle management which is then broken down into departmental objectives. The strategy implementation groups also feedback to senior management so their considerations are taken into account in future strategic planning. At Nightingale, departmental strategies were under development at the time of the interviews but there were references to estates and communication strategies. At Seacole, the 4 page vision is linked to a 40 page operational document, outlining action plans for every department.

In line with the Ferreira and Otley framework (2009), there is alignment between strategy and Key Performance Indicators (KPIs) at Cavell and Guinness. At Nightingale, the departmental strategies were under development at the time of the interviews but they had drawn up lists of proposed departmental KPIs. Alignment of strategy to objectives, financial plans and key performance measures is explicit in one hospice. '*We make sure all its plans for doing at the operational level really do have a strong link to the organisation's five year strategy...so our annual operating plans links very clearly back to that. And over time we've introduced a bit more performance measurement as well (so) the trustees have some assurance that we're delivering on our promise to them and to the (patients) basically' (Finance, Guinness*). In two cases, the operational plans drive detailed long-term integrated financial plans. '*So a five year budget is key and a ten year vision' (CEO, Nightingale*). At Nightingale, they are clearly aspiring to achieve this (seen in their presentation regarding their strategic planning process). KPIs are therefore derived from the strategic plan in three of the four cases, as the framework proposes. With clearly defined goals, aligned strategic objectives and measures, and a clear

flow from the board via SMT through the organisational structures, both mechanistic control and transactional rationality can be seen.

7.5.2: Extending Ferreira and Otley's PMCS framework

While the hospices' strategic planning process is consistent with the Ferreira and Otley (2009) framework, there are however a number of differences. The organic controls identified by Burns and Stalker and the communicative rationalities by Broadbent and Laughlin reveals some limitations of the PMCS framework when applied to the voluntary sector. In Chapter 2, Figure 2.4 lays out the key questions making up their PMCS. In Table 7.1, evidence from the case hospices is used to address the first eight core questions. However, the table has been extended to incorporate several additional aspects that emerge from this primary research. Ferreira and Otley could argue that these are addressed in their outer rings (questions 9-12), such as PMS use, although they are criticised by Broadbent and Laughlin for being too vague. However, other aspects included in the 'additional hospice features' column show how the Ferreira and Otley framework needs to extended for hospices and arguably other voluntary organisations. First, every hospice has it values clearly stated as part of its strategy, with motivation through commitment more typical of an organic approach described by Burns and Stalker (1994). It also is typical of the substantive rationality described by Broadbent and Laughlin (2009) including ethical ends, or 'value rationality'. Second, strategic planning in the case hospices is more inclusive than the hierarchical framework suggests. At least one respondent from each hospice commented on how staff are consulted for their views on their hospices' strategy. At two hospices, there are formal processes to involve staff of all levels in the determination of strategy, albeit both had taken place for the first time just before the interviews took place.

> *'I wanted to make sure that everybody, right through from the board to the ward has an opportunity to make contribution or comment and to know they would be listened to' (CEO, Nightingale).*

> *'there's a recognition of a need to involve as many people as possible in the formulation of strategies, probably 40 or so people'(Trustee, Guinness).*

At Barton, they informally consult staff other than the SMT and board. '*People (staff) are asked for their views of where they see the organisation in 5 years' time (Business, Barton).* At Cavell, there has been a top down process but there is now a desire to involve staff as they re-consider their strategic direction. Despite the concerns of two directors over people not buying into the strategy, the CEO comments that delivery of strategy is *'collective'* and that they '*are redefining our strategic direction and that is influenced by all the people.'* This is characteristic of the communicative rationality described by Broadbent and Laughlin (2009) with an inclusive approach to determining objectives.

Third, discussions take place not only at different operational levels within the hospices but also with external stakeholders. While acknowledged, it is not explicitly identified in the Ferreira and Otley framework. In two cases, there is consultation with external stakeholders (commissioners and the local community) in the development of their strategy. One hospice respondent commented explicitly on patients' views being taken into consideration. *'We constantly have an ear to what patients want' (CEO, Cavell).* Stakeholder consultation is also criteria of Broadbent and Laughlin's (2009) communicative rationality. Fourth, staff are involved in the strategic process by means of individual appraisals. Individual objectives are largely driven by the strategic planning process, with all case hospices specifically confirming how their appraisals are linked to the overall hospices objectives. One finance director (Guinness) went as

far as to say that '*for me, what glues it together are individual performance plans.'*

> *'More strategically, they have appraisals and as part of the appraisal process we mutually agree service objectives linked to strategy' (Care, Barton).*

Rather than having KPIs to hold them to account (as envisaged by Ferreira and Otley), this is also achieved through objectives and milestones. At Seacole, the operating plan is an action plan, without KPIs. Negotiated objectives and qualitative rather than quantitative evaluation are both examples of the reflexive authority described by Broadbent and Laughlin (2009) as communicative rationality.

> *'As part of the appraisal process, we mutually agree service objectives linked to the strategy so they have a programme of work that leads to the kind of vision and then review in an bi-annual basis' (Care, Barton).*
>
> (referring to understanding the 3 key goals) *'It's basically so that people feel like it is then part of them and part of their everyday and it's measured in their appraisals' (Business, Nightingale).*

Fiftly, while the time horizon of the strategic plans drawn up by all hospices is consistent, the effect of 'emergent strategies' is not explicitly identified within the Ferreira and Otley framework. One hospice has recently decided to plan for the next ten years; two have a five year plan; one updates their plans on a 2 or 3 year cycle and the 4th has a rolling 4 year strategic plan. In addition to this, one has blue sky 20 year outlines for capital developments and a ten year retail plan.

> *'It sounds like the Russians every 5 years, we have a 5 year plan' (CEO, Barton).*

Nevertheless, all hospices acknowledge that plans are subject to change and appreciate the need for an emergent strategy. They cite examples such

as responding to government funding opportunities and changes in legacy income (CEO Barton), 'seizing the opportunity' to get cheap shop locations at a time of recession (Business, Barton); retail trends to inform strategic direction (Business, Cavell). Others comment on the need for a flexible approach:

> '*Also being realistic rather than having a prescribed tick list of things that have to be done in a time frame but more informed about how things change, develop and priorities shift and being responsive to that' (CEO, Cavell).*
>
> *'So it stays live rather than siting as a big hefty document on a shelf' (CEO, Nightingale).*

Hospices are responding to uncertain times through networks and consultation, and thus more suited to an organic approach described by (Burns & Stalker, 1994). The lack of costing systems and reluctance to take on budgetary control responsibility endorses hospices operating organic rather than mechanistic controls (Chenhall, 2003). While Ferreira and Otley (2009) imply that their framework is applicable to all organisations, Table 7.1 illustrates how it could be adapted for the voluntary sector predominantly reflecting a different organisational purpose (such as incorporating values and external stakeholders' views). It may also be affected by the typical size of these organisations, being smaller than private sector organisation envisaged by Otley and allowing a less hierarchical approach to strategic planning.

Table 7.1: Comparison of PMCS framework to hospice practice

Ferreira/Otley PMCS	Additional voluntary and hospice sector features	Barton	Cavell	Nightingale	Guinness	Seacole
Q1. Vision/mission		Mission in SIR Vision & mission in TAR	Aims in SIR and TAR	Aims, vision and mission in SIR and TAR	Aims in TAR Vision & mission in SIR and in impact report	Aims in TAR
	Values	Values in TAR and information booklet Extended on staff poster		Values in TAR and postcard with values for internal and external stakeholders	Values in impact report and strategy document	Values in strategy document
	External environment		Local health economy End-of-life nationally	SMT presentations to board on national hospice world, health and social care, dementia, death rates, national developments	Estimated numbers of patients	
Q2. Key success factors	**Goals**	Strategic objectives set out in SIR and TAR	Strategic imperatives set out in SIR 3 key deliverables in strategy document	Strategic aims in SIR and TAR 3 key goals on postcard	Clear 'topline' objective	12 priorities in strategy document

Ferreira/Otley PMCS	*Additional features*	*Barton*	*Cavell*	*Nightingale*	*Guinness*	*Seacole*
Q3. Organisation structure		Departmental operational plans	Departmental operational plans	Departmental operational plans under development	Departmental operational plans	Operational plan
	Internal interaction	Annual board away-day Staff asked for views	Annual away day 'Ear of patients'	Annual away-day but more frequent reviews Consultations with volunteers, 'whole organisation', collective, 'very inclusive process'	Bi-annual away-day 5 strategy implementation groups – feeds back up to strategy development group Middle managers heavily involved Consultative Need to involve as many as possible – around 40 participants	Away-day Business managers Staff consultation
	External interaction		Commissioners	Public sector organisations, community groups, volunteers		Commissioners
	Emergent strategy	Response to government funding opportunities	Need to be flexible, constant change 'moving and evolving'		Adopted alternative model of care within overall strategic goals Extended main goal by 2 years	Futures forum – on palliative care
Q4. Strategy/plan		5 year plan ('like the Russians')	2or 3 year cycles Top level plus detailed operating plan	5 year plan, 10 year vision 5 year financial plan integrated	5 year plan extended to 10 Strategy linked to operating plan to departmental plans	4 year plan linked to detailed operational plan

Ferreira/Otley PMCS	*Additional features*	*Barton*	*Cavell*	*Nightingale*	*Guinness*	*Seacole*
	Sub-strategies	Fundraising	Clinical	Retail, estates	Departmental plans	Departmental operational plans
Q5 KPIs			In documentation	Explicitly mentioned	Explicitly mentioned	
	Milestones		Included in critical success factors		Included in logic model	Operational plan
Q6 Targets		Budget (fundraising)	Budgets(directors)	5 year financial plan linked to strategy	Integrated strategy with financial plans	
Q7 Evaluation				Annual review reports against plan		
Q8 Reward		Targets set by budgets but not targets as such	Theoretically linked to reward but there is no reward available	No financial reward		
	Alignment of appraisals and operating plans	Objectives in individual appraisals	Operational plans link back to the vision	Budgets linked to strategy Integrated via appraisals	Operating plan and strategy integrated Linked to individual appraisals Conscious alignment of KPIs	Operating plan derived from 12 strategic priorities

Source: author's own analysis, comparing management control literature to case findings

7.6 Do hospice performance measure systems actually report 'good performance'?

To assess how effective hospice performance measurement systems are, a comparison is drawn between what hospices deem as good performance and its delivery in Chapter 6 and what is actually measured in Chapter 7. Table 7.2 shows how many outcomes and outputs are measured, such as patient quality of life, family support, quality of service, staff satisfaction and financial sustainability. However, there are some notable gaps: coping skills; place of death; admissions prevented; and community reputation. Simons (1995) considers that completeness is a criteria of successful performance measurement. It can be argued that the performance measures reported by hospices are incomplete and therefore their performance measurement systems are lacking. On the other hand, hospices may not be measuring what they consider to be unmeasurable such as leadership and communication.

> *'Time and time again the housekeeping staff: how they smile, how they behaved…It just kept coming up. Now to everyone in the hospice, that will be a really massive sign of success but we can't put a number on it, of course' (Finance, Barton).*

Hospices do not attempt to measure some of the most important aspects of their work as they cannot be measured. However, that does not mean that they are unimportant or that they should not be managed. If aspects of hospice performance cannot be measured, then alternative methods need to be sought on how to manage them. The management control literature suggests that Simons' 1995 Levers of Control is a holistic framework which includes diagnostic measures as only one part of a more complex interaction of controls. This has informed the skeletal framework set out in Chapter 5 and is used to guide identification of complementary controls operating within the hospices in chapter 8.

Table 7.2 Hospice performance measurement and management

	Chapter 6 Hospice performance	**Chapter 7 Hospice performance measurement**
Outcomes	Quality of life	Patient surveys, focus groups, monitoring complaints
	Coping skills	
	Place of death	
	Admissions prevented	
	Family support	Family surveys
Outputs	Quality of service	CCG reporting trips, falls, drug errors
	Volumes of service	Patient stays, visits, telephone contacts
Delivery (inputs)	Staff satisfaction	Staff survey; some HR measures
	Staff recruitment, training	
	Volunteers	Hours
	Financial sustainability	Management accounts but little costing
	Donated goods	
	Leadership	
	Communication, autonomy	
	Community reputation	
Efficiency		Occupancy, length of stay, fundraising
Effectiveness **Achievement of objectives**		Actions against plan (Seacole) Critical success factors (Cavell) BSC (Nightingale) Logic model (Guinness)

Source: author's findings from SIR and TAR analysis

7.7 Informal diagnostics

> *'The letters we constantly get in from the public you know that says it all. If any business had the amount of letters, even 10% of what we get, you know you would have a very successful business' (Business, Barton).*

Not only are some aspects of hospice management not managed by means of formal performance measures, there is also evidence of

performance being 'diagnosed' or assessed in other ways. Formal measures are complemented by informal diagnostics. Patient experience is considered the key measure of the hospices' outcome of improving quality of life, typically measured by patient surveys and evaluations. However, hospices also use spontaneous patient, family and carer letters as a method of demonstrating their success.

> *'For me the real acid test is… the spontaneous comments and stories that come in without being prompted' (Care, Barton)*
>
> *'I think just the letters that we receive … even for somebody who has very recently lost a loved one, it speaks volumes' (Finance, Cavell).*
>
> *'We have had some staggering letters back from people'* (CEO, Barton).

The hospices are aware of the subjectivity of such evidence, especially as patients and their families are '*a captive audience' (Care, Cavell)* , at such an emotional time. '*Most likely they are going to give positive feedback, particularly when they are feeling extremely vulnerable' (Trustee, Barton).* Ultimately, they are not paying for the services provided. '*There is a danger of course that families will always say good things because they're getting all this for nothing' (CEO, Guinness).* However, the care director at Barton argues that it provides similar evidence to extensive formal reporting (but without the cost). *'In the NHS when they talk about doing ward rounds with the tick box, it is actually about relationships and having time to do it...walking around every half-hour with your clip board. If we did that it wouldn't demonstrate any more than the comments that are coming*.' It is these stories that are used extensively in external documents to illustrate their 'success.' *'There is a lot of evaluation work and from a funding perspective, it's very, very helpful when we are looking for evidence of outcomes to support making applications' (Business, Barton).* Patient stories are also used in Quality Accounts to the commissioners. The trustee

at Barton concludes: '*You absolutely must take notice of that but it absolutely must not be your only measure because it is not going to be sufficient' (Trustee, Barton).*

> *'I think for me it is the qualitative evaluations of the patient experience but there are some caveats with that. Because the families are always so grateful for the care we provide, when we have discussions with the service user group, we are desperate to find something that we are not good at doing' (Care, Barton).*

There are other examples of how interviewees describe informal ways to assess performance. Trustees are appointed for their skills and experience to spot when performance might not be good as expected. Their visits to the hospice are a means of informally assessing performance or alerting them to problems.

> *'Informally my knowledge that I bring to the organisation is about what I would expect to see in a finance department…when I bring my expertise, yeah, and then little bells start ringing and I think who I need to ask about this, that and the other. So that's when the informal stuff comes in' (Trustee, Nightingale).*

The CEO and directors speak of using intuition to pick up problems. While all hospice carry our staff surveys, one CEO, in answer to the question how do you know you are doing well, replied that he walks around the hospice every day. It can be *'hearsay in the corridor' (Business, Barton), 'a general feeling' (Business, Nightingale)* or sensing the atmosphere in a meeting. The CEO at Cavell comments that *'from people whispering in your ear to the general jungle drums, you pretty soon know when things aren't going so well and there are issues.'*

> *'I think we do have sufficient dialogue to get under the skin of what's going on' (CEO Guinness).*

> 'I *can know what the numbers tell me. But they very rarely tell me enough. I need to spend less than an hour anywhere in this organisation to know whether I feel things are going OK or not. And boy, do I know it immediately' (CEO, Guinness).*

> *'At the end of the day you can sense, our experience tells us, you can sense from the discussion in the room whether we're good, bad, indifferent' (Finance, Nightingale).*

Senior staff rely on informal communications as an early warning systems as informal diagnostic tools. At one hospice, the business director relies on informal conversations among SMT colleagues to know how well the hospice is running:

> *'I think through conversations with my peers at the SMT meeting because they monitor the number of patients in and out of the hospice' (Business, Cavell).*

Success is also considered to be how they are perceived within the wider community. Informal feedback from the community also gives reassurance of performance. At Nightingale, the CEO considers an increase in social media posting such as Twitter and Facebook followings as an indicator of good performance.

> *'Feedback. You get feedback and comments from people, the spontaneous ones and my team do a lot of networking out in the community and we're always listening to what people are saying about the hospice' (Business, Cavell).*

The CEO at Barton speaks of the esteem in which the chair of the governors is held locally. The CEO at Nightingale interprets the invitation to herself and her colleague to lead a project as evidence of the hospice' good local reputation.

> *'How our CCG and our colleagues in the health community value us, and I mean one really good indicator for me this year has been that I was asked to project lead the end-of-life work stream…That was a real tick in the box in terms of the value that they place on the organisation, I think' (CEO, Nightingale).*

7.8 Conclusion

In analysing the performance measures used by the case hospices, three limitations of their effectiveness are exposed. First, a comparison of what is considered to be 'good performance' and its delivery and what is actually measured reveals significant gaps such as leadership and reputation. This is not necessarily about weak reporting but concerns identifying important aspects of hospice performance which cannot be measured. Second, the limitations of applying mechanistic and hierarchical approaches to hospices is seen when the Ferreira and Otley framework is used to understand the hospices' strategic processes. Although the authors have acknowledged the need to include wider aspects of performance management in their outer rings, this remains vague. Analysis of hospice performance suggests that explicit acknowledgement is required of values, external stakeholder interaction, internal communications at all levels including emergent strategies as well as milestones and appraisals. Third, performance is assessed informally as well as formally through spontaneous family letters, trustee expertise and 'jungle' drums.

This chapter also concludes that external performance information is reasonably consistent across the five hospice cases, primarily set out by clinical and financial regulators. However, there is a wider variation in the internal reporting of performance within the hospices studied. From the management accounting literature, discussed in Chapter 3, three criteria for an effective performance measurement system are identified: diversity of measures; alignment of strategy to measures; and an integrated system,

demonstrating cause-and-effect between measures. The case hospices performance measurement systems at best only partially fulfil these criteria. All hospices report a diverse range of measures, with one merely setting out key performance indicators on a monthly dashboard, predominantly made up of clinical measures. Three more hospices demonstrate alignment explicitly with one hospice linking its strategy to critical success factors, another using a BSC format. The third not only achieves alignment of measures to strategy but also uses the logic model to connect outcomes, outputs and inputs; a possible example of an integrated system. However, none of the hospices fully demonstrate the cause-and-effect relationships expected within management accounting literature.

Milestones supplement measures to provide more comprehensive accountability. While hospices do not have the causal models proposed by the management control literature, they do integrate their qualitative and quantitative control systems. Hospice performance measurement demonstrates a balanced approach but one that balances words with numbers rather than across different metrics.

> *'With the impact statement, it's no numbers without words and no words without numbers and that's really important in terms of communicating the value of the work that we do. You need both.' (Business, Guinness).*

The description 'diagnostic' as a lever of control underestimates what the hospices are actually doing. This research proposes that the term 'judgement' is used to describe both the informal and formal assessment of performance. Informal diagnostics are used to complement the formal measures, such as a sixth sense of how the hospice is performing internally and its external reputation in the community. In a similar vein, there is a sense of responsibility to provide value for money but little information to measure cost-effectiveness. In Chapter 8, a more holistic approach to performance management is proposed, arguing that mechanistic and

instrumental performance measurement systems must be complemented by broader organic and communicative perspectives of management control.

> *'If you're getting caught with a mechanistic argument just introduce a qualitative statement and stop yourself trying to do the maths. Because these things are not best served by mechanical processes I'm afraid. I've no difficulty with them; I mean I'm not anti-quantitative measures by any means. But there's got to be a balance between what a family will say … Anecdote is not a bad thing to get, providing the anecdote is balance' (CEO, Guinness).*

Chapter 8: Hospice performance management: beyond measurement

8.1 Introduction

In Chapter 7, it becomes evident that some aspects of hospice performance are not and arguably cannot be measured. Clear criteria are given for effective performance measurement systems In Chapter 2. Management control theory suggests that there must be a clear aim or purpose; whose outputs must be measurable; the measures need to be predictive, showing the cause-and-effect relationship and corrective action must be able to follow (Emmanuel, et al., 1990, p. 8). Simons (1995, p. 59) incorporates three of these in his diagnostic lever of control (excluding the aim or purpose). Chapters 6 and 7 show that hospices only partially fulfil these criteria: aims are not always clear and often intangible. Cause-and-effect relationships are hard to demonstrate and corrective actions cannot always be taken. Many interviewees comment on aspects of hospice performance that cannot be measured.

> *'We are doing somethings brilliantly but we can't quantify it, we can't measure it' (Finance, Seacole).*

When asked how good performance is delivered, the majority responded in terms of relationships rather than processes. The majority of respondents endorse the need for performance measurement information but recognise its limitations. Hospice management relies on informal, as well as formal, methods to alert them to issues. Chapter 7 gives examples of the informal diagnostics being used to assess hospice operations. This chapter asks if some aspects of hospice performance cannot be measured, how can they be managed?

The skeletal framework, developed in Chapter 5 from management control and voluntary sector literatures, is used to guide a response to this

question. This chapter explores how other organic management controls operate in conjunction with cybernetic performance measurement systems. It is argued in Chapter 3 that management control should be considered as a package, encompassing many different control mechanisms (Malmi & Brown, 2008). Four themes emerge from the discussions of about how good performance is delivered in practice in Chapter 6: committed and motivated staff, style of leadership, autonomy and communication. There are clearly management controls operating in hospices that are beyond performance measurement. These have been identified as: ethos, including staff motivation, values, leadership and volunteering spirit; responsibility including autonomy; and relationships incorporating communication. The skeletal framework is then fleshed out with details from the hospice case studies in table 7.1 with a view to creating a new voluntary sector performance management framework in chapter 9.

8.2 Voluntary sector and hospice ethos

'I think hospices are special places…there's an unknown spirituality in the place' (Trustee, Seacole).

In chapter 3, some characteristics of voluntary sector organisations are identified including their purpose and motivation, the role of finance, governance structures and multiple stakeholders. These factors create an ethos that is quite different from both the private and public sectors. Hospices share these as well as having their own distinctive ethos. As Cecily Saunders (2001) has said, the hospice movement is as much about a philosophy as buildings and their facilities. That philosophy promotes a holistic approach to psychological and spiritual needs as well as physical care. This section considers the ethos of the case hospices, using the definition of the voluntary sector given by Salamon and Anheier (1997).

8.2.1 Voluntary sector ethos: non-distribution of profits

The first distinguishing characteristic of the voluntary sector identified by Salamon and Anheier (1997) is the non-distribution of profits. The case hospices not only retain all surplus' generated but also do not regard maximising that surplus as their primary purpose. We have seen in the SIR and TAR analysis that the overall aims of the hospices do not include financial considerations and there is no explicit financial objective in any of the case hospice mission statements. In Chapter 6, interviewees explain what is considered to be 'success' in a hospice from their different perspectives. The trustee at Seacole says that what distinguishes a hospice from a hospital is the '*compassionate, very spiritual*' aspects*; 'it's basically about people...thinking of the care of that person.'* He contrasts the personal ambitions, even in a hospital, to the genuine care of the hospice staff. By exception, one hospice alluded very obscurely to financial sustainability, as a '*lasting and thriving*' provider of end-of-life care. This is cited by the trustee at Cavell who adds '*I try not to let finance rule my thoughts. I try and think of other things that should be important.'* The trustee at Guinness overtly states that finances are not their goal: *'We need to achieve whatever we set out to do to make sure our financial position remains stable and secure but that isn't anything to do with our objectives.'* However, all case hospices have trading companies which transfer their profit as a gift-aid to the hospice. Thus, they are examples of the blurring of the distinctions between the private and voluntary sectors. While the hospices' mission is not concerned with profit maximisation, making a surplus is a means to fund the services they provide, rather than being an end purpose. The trustee at Cavell explains that attitudes '*are different in different parts'* of the hospice with a business attitude in retail and a service attitude in care provision.

> *'I always say to people when they ask the question why are you successful, they are usually asking from a financial perspective. I*

> *always say it is because we run ourselves as a business and not as a 'charity' (Business, Barton).*

The case hospices provide evidence of the increasing commercialisation of the voluntary sector. The Barton business director made the point that six or seven years ago, it was seen as surprising to have commercial staff on the senior management team but *'it wasn't long before they said actually yes and I think I have got the ability to look at both sides.'* There have been a number of factors which have contributed to this more business-like approach. First, hospices can no longer be complacent about funds being donated with little fundraising effort:

> *'Always there to care, but actually with your help we are always there to care. And we have to constantly remind people that you've got to pay for it…I think as a hospice and a charity you do need to be business-like. I think you have to be very proactive. Gone are the days where you sat there and waited for the donations to come in' (Business, Cavell).*

Second, respondents at two hospices comment on the potential competition from the private sector, given the changes in the health economy. Commissioners are looking to private sector companies, such as Nuffield, Virgin Healthcare, BUPA, nursing agencies, and PULSE to provide health provision who *'will be lobbying at the door of GPs to say we can do this better for you. So you have got to have that business acumen' (Care, Barton).*

> 'W*e're moving towards a culture of privatisation, particularly working within the Health and Social Care sector. We are needing to compete with other providers out there, who are for-profit organisations. So we need to be promoting our service as a quality,*

> *specialist service that is not-for-profit but is of value' (Care, Guinness).*

The business director at Guinness speaks in terms of having a distinctive product with a price that she can take to commissioners. *'It needs to be quite specific: what are we doing; what are you paying for; what are you going to get?'*

Third, the changing profile of staff is bringing about a more business-like approach. There are examples of the senior management teams being *'very commercially focussed' (Trustee, Nightingale).* There is also a changing profile amongst members of the board. *'They have quite a corporate mindset' (Finance, Barton).* There are examples of tensions that result from this, such as the CEO of Barton explaining that in dealing with the poor performance of staff *'one of the problems with the governors, some of whom come from the private sector, (is that they) do not understand that there are some legal hoops that you have got to go through because I don't want to risk the organisation ending up in an industrial tribunal.'* The care director comments that the trustees at Guinness are making increasing demands for performance measurement. '*I can see the frustrations from the trustees, who are constantly wanting more because they need to be able to justify where the income's going' (Care, Guinness).*

With these different perspectives, there is potential for conflict between the need for being commercially-orientated while simultaneously achieving the hospice's mission.

> *'You see it (high quality service delivery) demonstrated when people go the extra mile. I think it is potentially our downfall...because we so much want to say yes, but then struggle with the implications of saying yes to everything' (Care, Cavell).*

Three finance and business directors are clear about their commercial responsibilities, seeing no conflict. Here is an example of an unambiguous response to the question of a potential conflict of interest:

> *'My team are here to deliver income and that's the end of it, which might be a bit cut-throat for some people,…it's the only way we're going to be able to deliver the services. We're not a charity that's here to look after our employees' (Business, Nightingale).*

On the other hand, a CEO comments on his finance director being in no doubt that they are doing it for '*the one and only purpose of providing care'(CEO, Nightingale)*, despite having to make difficult decisions on making the budget balance. Two finance/business directors and one CEO recognise the tensions between commercial needs and the hospice's overall purpose:

> *'I think that it's a fine balance between being a commercially viable business, having to take on things that you perhaps wouldn't ordinarily do...(and) a need to remain authentic to your cause'(Business, Nightingale).*

They therefore put the commercial aspects of running a hospice into the wider context of its mission*:*

> *'I don't think there's much conflict because we know that we've got to make a profit. We invest that profit in care and that's our motivation and driver to generate that profit in the first place' (Business, Cavell).*

8.2.2 Voluntary sector ethos: not funded by the state

Interviewee perceptions of the ethos of the hospices are often expressed in contrast to the public sector, Salamon and Anheier's (1997) second defining characteristic. Many hospice staff have moved from the NHS: '*They are coming to us because they're almost escaping from this to go and do what they always wanted to do' (CEO, Guinness).* There are a number of characteristics which distinguish an voluntary hospice from a NHS hospital. Indeed, respondents comment more on the differences between the hospice and the NHS than their similarities, notably having the time to care for patients, as they are free of the demands of performance management, NHS rules and regulations and continual reorganisation. The predominant theme of respondents was that staff could care for patients in a way that they felt they could no longer do so in the NHS. *'The added advantage of being a charity is that we can really focus on the care of the patient' (Care, Barton).* The Guinness CEO explains that '*they felt that they weren't any longer doing it, and now could see that they're going to again, and start doing so. And that captures them very, very quickly.'* He goes onto say *'they've left the health service to come into an organisation like this and don't go back to it because when they get here it is exactly what they are hoping it might be.'* He cites an example of a key member of staff: *'She actually wanted to be able to give care to individuals patients.'* A finance director expresses this in terms of the rule and regulations: *'Lots of the nursing staff, care staff, have come out of the NHS and that's quite interesting. They come to escape the rules and regulations' (Finance, Guinness).* There is an appreciation that NHS hospitals operate in a different environment, subject to political and media pressures.

> *'The NHS, and this is my perspective, is very driven politically...So you have staff who are working in a spectrum of continual reorganisation and, in reality, that takes away from the focus of care to patients' (Care, Barton)*

At one hospice, staff to patient ratios are significantly better than in the NHS, allowing '*the relationship to be developed with the family and patient because you have the time to do it. In reality in the NHS they haven't got that luxury' (Care, Barton).*

The unique character of hospice ethos is however something substantially more than having better staff to patient ratios than the NHS. A CEO at a different hospice believes that the same care can be provided with numbers similar to a NHS hospital. There is however something quite elusive in hospice culture that needs to be preserved.

> '*We managed to give really good compassionate care with dignity and to sit and hold people's hand. So why is it different here? I need to understand why it feels different' (CEO, Nightingale).*

From the interviews, it is clear that the fundamental hospice ethos is far more positive than being defined by the negative 'non-profit' or by not being a public sector organisation. Despite the increasing commercialisation and the extent of statutory funding, all hospices share the broader ethos of the holistic approach to palliative care. The care director at Barton explained how its philosophy, arising out of a social movement, made its ethos fundamentally different to that of the NHS.

> *'So there is that difference between the NHS and the hospice… certainly the hospice in xxx was developed from a social movement perspective and very much embedded in the heart of the community' (Care, Barton).*

At least one member of each hospice commented on the commitment to the holistic approach to providing the 'whole package' of care, including psychological and spiritual support.

> *'And I think the whole patient care is really important. We don't have funding for social work or counsellors from the NHS or indeed the spiritual care but that is the whole package' (Care, Barton).*

The care is not limited to the patient but is a benefit for all those involved:

> *'It is absolutely for some people a therapeutic journey, the whole hospice experience, and I do wonder about the people who don't get that, because their relatives die in other circumstances, that equally has a morbidity that is difficult to measure' (Care, Cavell).*

8.2.3 Voluntary sector ethos: independence

> *'We're a charitable organisation so we value the independence that being charitable gives us' (Business, Guinness).*

A key component of the case hospices ethos is that of independence - the third definition of the voluntary sector given by Salamon and Anheier (1997). At least one interviewee from each hospice stresses the importance of their self-management. Several interviewees speak of their independence in terms of not being part of the public sector, such as avoiding the over-regulation discussed previously or having the ability to negotiate over reporting requirements, which will be discussed more fully later in this chapter. However, hospices value the opportunity to make their own decisions in a number of other ways. The finance director at Barton cites the example of how they set salaries independently of NHS pay scales. They can also provide what they consider to be the most appropriate care and support for individual patients. The business director at Guinness gives an example about how the commissioner might offer a certain level of care but the hospice has the discretion to provide more care where they feel it is necessary.

> *'I do think because we are an independent hospice and because we receive so little of our funding from the NHS it does give us an opportunity to make certain decisions ourselves...we have more say in driving clinical services within the guidelines that the NHS require' (Finance, Cavell).*

Independence enables a hospice to make decisions much more quickly than their counterparts in the public sector. The CEO at Nightingale explains how strategic change takes years to make an impact in the NHS, leaving the workforce demoralised. At a hospice, the board has the ability to make the decisions, can determine whether they have the funding and implement the change quickly.

> *'I think going back to that thing about independence...(it) is very evident (that) being an independent organisation the decision to action time is very short…. And often it is about a team of people or a way of working and those adjustments can be made very quickly and you can then quickly see the impact. And that has a tremendously positive effective on morale and motivational levels' (CEO, Nightingale).*

The trustee at Nightingale cites the example of being able to open a shop as the opportunities arises, contrasting it to the slow decision-making in the NHS. He does however qualify his statement, commenting that as the board only meets quarterly, decision-making could be quicker still. This view is endorsed by the finance director at Barton who considers decision-making only to be quick in contrast to the NHS but slow when compared to his experience of the private sector.

> *'The NHS falls down because it takes so long to do anything: things slow down so much they stop and then people change because it's taken so long to do it and then it needs to start all over again and*

that's why it never achieves anything' (Trustee, Nightingale).

Hospices are fiercely independent, to the extent that they preserve their autonomy from each other and their national umbrella organisation. This is illustrated by an example from a business director regarding fundraising and branding. It shows the degree to which they value their local connections and preserve their geographical monopoly.

> *'Hospice UK has 2,400 retail outlets. They're all governed roughly by a geographical area that is aligned to the hospice care. But the fact that they work in such fragmented silos means that they don't get a lot done' (Business, Nightingale).*

Charities often cite innovation as a key benefit of being a charity and this is commented on by a few interviewees. One hospice includes innovation as one of its three key headline objectives: '*We're innovative and we have an influence' (Business, Nightingale).* A CEO at another spoke of the historic contribution of hospices to innovative approaches to palliative care. '*We must retain our independence. We must have the ability to be innovative and commission our own services' (CEO, Barton).*

> *'I think they are keen to retain an independent status...It shows all sorts of win-wins for them engaging with the voluntary sector, around working a bit more innovatively' (CEO, Nightingale)*

8.2.4 Voluntary sector ethos: volunteers

'we survive or fail on the back of our volunteer workforce' (CEO, Cavell).

'volunteers are an absolutely critical resource'(CEO, Guinness).

A strong belief in the purpose of the hospices enables the hospices to marshal huge resources from volunteers, 'remarkable people' (Trustee, Barton). This fourth characteristic of Salamon and Anheier's (1997)

definition makes a considerable contribution to all the hospices studied. The CEO at Guinness cites savings through having volunteers, which is '*a staggering figure*.' At Nightingale they are 'very *much part of the strategy as well'*. Without the volunteers, hospices would not be able to operate in the way they do. The Barton finance director described it as a *'winning business model...We can do a hell of a job with millions of pounds of donations and over a 1000 volunteers.'* Often volunteers are treated in the same way as staff – such as participating in hospice-wide communications, training and meetings. For example, at Cavell, they have removed nursing uniforms that differentiate between staff and volunteers, to make the volunteers feel more included and respected.

8.3 Ethos and hospice performance management

In chapter 2, the role of social controls in the effective operation of organisations is discussed. Ouchi (1979) distinguishes social controls from market and bureaucratic controls. Merchant and van der Stede (2012) contrast personnel controls with results and action controls. Malmi and Brown (2008) see clans, values and symbols as one of three levels within a whole package of control. Tessier and Otley (2012) draw the distinction between social and technical controls. Chenhall et al. (2010) consider how Bourdieu's concepts of cultural and economic capital can build social control within an NGO. Simons (1995) envisages a belief lever as one of his four control mechanisms. However, Simons' belief lever is limited to formal controls, such as the mission statement. In the hospices and possibly other voluntary organisations, this underestimates the importance of the commitment to mission and purpose and thus this research proposes a broader 'ethos' lever of control. Moreover, the ethos lever not only acts as an enabling control but also a constraining control so operates in a different way of the belief control within the private sector.

8.3.1 Performance management: mission statements

Clearly the ethos is a significant part of the control systems operating within the case hospices. This is partly exercised through formal mission statements. The hospice mission statements, described by the CEO of Cavell, provides the direction of travel:

> *'a physically written description of what we are trying to achieve…I think the first thing is being very open and honest and transparent and produce something that is simple easy to understand, has a clear sort of measurable direction of travel within the timeframe that has been set for it' (CEO, Cavell).*

All case hospices set out their purpose, albeit in various ways. They all have their mission and/or vision on their websites. Where they have Quality Accounts and/or Statements of Purpose, the mission or vision is included. However, different wording is used in other public documents, depending on their audience. Interestingly, only two hospices use their mission statement in their Annual Review or Impact Report. All charities are required to set out their charitable purposes or objectives, in their returns to the Charity Commission, and can use different wording to the mission statements. In only one case, the same vision/mission statement is used in both the SIR and the TAR. In two cases, the TAR cites the charitable objects set out in the memorandum of association, a more long-winded, legal-style definition of their activities. This would support the view that the TAR is considered to be a 'grey' document serving a legal rather than promotional purpose (Connolly & Dhanani, 2009). In another case, there is a different set of wording, possibly a timing difference as the strategy was under development at the time of the study.

The case hospices share many common themes in their mission statements. They are of a very general nature, referring to the provision of end-of-life or palliative care for those with life-limiting illnesses. Where they include references to more specific objectives, they could apply to all

case hospices, such as providing care in different settings, seeking to educate, enhancing the quality of life, working in partnership with other providers and serving a specific geographical area. All five hospices also have a vision statement, again with similar and shared themes that could apply generally, such as providing free care and being leaders of end-of-life care provision. The idea of a simple statement is endorsed by respondents from two hospices. The finance director at Guinness says by keeping it simple and repeating it, '*people will eventually understand*.' The business director at Nightingale adds '*the key part of filtering the information down is to keep it really simple.'* Thus they are broad enough to include all operational practices but sufficiently vague not to determine any performance measures.

The mission statements communicate basic values and purpose. Four of the five hospices have formally documented their values and use them alongside their mission and vision. In one hospice, they have extended the mission/vision to expand on the detail behind the values: compassion and love; commitment to quality; communication; dignity and respect; whole patient care. The care director at Guinness seeks assurance that '*her staff understand what managing dignity and respect is about in practice*.' At Barton, they see these values being delivered by 'collective leadership.'

> *'We have got the overall vision statement but it is also about values which I think are really important and again from the hospice movement there is this thing about compassion and love. The added dimension that I think hospices provide is that link with spirituality. So these are our core values and I think the difference between the NHS and the hospice in reality is that hospices are grounded in values' (Care, Barton).*

The importance of sharing common values is expressed by many interviewees, from trustees giving up their time, senior managers working within a team and in the recruitment of new staff.

> *'I can see the value of having a team who all work together and get on and have shared values and going in the same direction...that actually makes a huge impact on what you can achieve as an organisation' (Business, Nightingale).*

> '*I think they recruit to values…to celebrate peoples' lives' (Trustee, Barton).*

8.3.2 Internal use of mission statements

As Simons (1995) envisages, formal mission statements are used internally for three purposes: communication; motivation; and determining priorities. First, the case hospices communicate their mission statements formally within their organisations. There are different methods of disseminating the vision and mission amongst staff. At Cavell, the CEO ensures '*that information is available so that it is readily available for staff to see on electronic transmissions through the internet.'* He also holds 'state of the nation' meetings with all staff on a quarterly basis, at which he and other colleagues present, thus *'giving the perspective of senior management, but also from their particular role'* (*Care, Cavell*). Another hospice has designed a poster extending the mission and vision to include values. A third has produced a postcard to give each member of staff as a '*reminder of our values, our mission and our aim' (Business, Nightingale).* This operates in a similar way to that seen in other studies using Simons' belief lever of control such as Bruining et al. (2004) where soapbox meetings and business magazines are used to communicate new values after a management buy-out. Arjalies and Mundy (2013) study how new CSR strategies are communicated through French private sector companies

using values charts and internal conferences. Plesner Rossing (2013) observes how a change of transfer pricing policy was implemented by communicating new values among its employees.

Second, the mission, vision and values have an important role to play in motivating and empowering staff. The business director contrasts the clinical service '*who are very close to service delivery and the purpose of the organisation*' with the support services. For the latter, a well-articulated mission is especially important, as their contribution to patients is indirect. The Nightingale business director comments on how their goals are clear to all employees: '*Whether you are the person who is emptying the bins or the chief executive, you say my role here is to make sure we deliver better care, that we're innovative and we have influence.'* This is echoed by the finance director at Guinness:

> '*They're starting to get the idea that they're here for that objective first and foremost and the fact that they're preparing accounts or doing a health and safety check is important but subsidiary to it. That's why they're doing those things, not because of the function in itself' (Finance, Guinness).*

Third, the mission statement has an important role to play in determining priorities with the increasing tensions between protecting their mission while becoming more commercially aware. '*We check back around quality and say if there are incidents which maybe relate to something that doesn't feel comfortable as an organisation; where does that fit with our values?' (CEO, Nightingale).* The business director at Barton cites using the mission statement to keep his retail staff '*focused on the (hospice' s) objectives…if we are compromising the organisation as whole, we question it'.* Chenhall et al. (2010) observe how the belief lever could help balance a potential conflict between the interests of the employees and a welfare organisation.

8.3.3 External use of mission statements

'I think the vision is communicated in all sorts of ways. I think it is communicated in public events. I think is communicated in their literature' (Trustee, Barton).

Simons sees the mission statement primarily as an internal document. However, the importance of mission statements within the hospices, and possibly for voluntary sector organisations as a whole, is as much external as internal. Moreover, it is not simply an enabling lever of control or 'yang'; it also acts as a constraint or 'yin.' This research suggests that the vision, as set out in mission statements or charitable objects, serves different purposes in hospices, and arguably in voluntary sector organisations as a whole, from that of private and public sector organisations. A mission statement has a much more significant role to play with its external stakeholders. Mission statements are actively used to promote the hospices' cause in fundraising, thus acting as an enabling lever of control. Chenhall et al. (2010) cite how a mission statement can be used to raise the profile of an organisation externally. The postcard used by one hospice is primarily designed for external use to communicate its vision, 'care, influences and innovation,' to external stakeholders. They have published a simple leaflet 'Strategy at a Glance', available to the public. The business (retail) director comments on how the methods of communication have become more holistic, with the business director explaining the importance of the 'drip effect' of information from signage to press releases and social media to explain their purpose. This ultimately results in the income generation needed to support that mission. At another hospice, the care director cites an example of the vision being used actively to set up a centre for palliative care as an educational partnership.

The mission statement nevertheless also acts as a constraining lever of control. Whereas the ultimate purpose of a private sector business is to

maximise shareholder value which does not require explicit publication, and a public sector body is providing a clear service on behalf of government, a charity must define its own fundamental raison d'etre itself. The Charity Commission requires that every charity determines and publishes its charitable objects, setting the limits of their activities with legal implications. Thus, the hospices' mission and objects are setting boundaries on what activities are appropriate. This in turn ensures that external stakeholders can be assured donations are being spent in line with what they intended.

8.3.4 Staff motivation

'This is your vision, not my vision' (CEO, Nightingale).

Recruitment and training, along with mission statements can be used to motivate staff. In Chapter 6, the importance of recruiting staff with the 'right' attitude and then inducting and training them appropriately has been identified as key to delivering good performance. However, staff motivation in the hospices is much more profound than this. Staff motivation is not extrinsic through reward but intrinsic due to the sense of mission. Many examples are cited by the interviewees to illustrate how the mission has been taken on board by staff, although one admitted to adoption being '*probably a bit mixed…in some places it is alive fully, and in other it is still on a journey' (Business, Cavell).*

> *'I think there is a commitment to always wanting to do the best thing for the patient and being responsive to them' (Care, Barton).*

Moreover, they need to be able to reassure the Care Quality Commission (the regulators) that '*our staff are signing upto our mission and values...They may not be able to tell it to me ad verbatim but they were able to identify the key principles' (Care, Guinness).* When asked about how the mission and vision statement actually affect individual members of

staff, interviewees suggest that formal documents only have a part to play. For control to promote ethos effectively, substantially more is needed than the statement of mission and vision or even formally documenting the values which underpin them.

> *'So it'll no longer be the traditional vision statement on the wall as you walk into the building; so actually this is about how this organisation operates, behaves, represents itself. And that for me, when I think about a vision and how to create a vision and how I think it's successful, that would be the approach' (Business, Cavell).*

It can be argued that formal mission statements are the products, not the drivers of motivation. Mission statements only play a part in inspiring staff: *'For clinical staff they are passionate, their driver is that they want to provide the best care and then they deliver that care (Business, Cavell).* This is not limited to care staff '*I only need to spend two hours in a hospice to feel better again when I am feeling jaded...because it is so hugely uplifting to see what they do. This is about the culture of the organisation' (CEO, Guinness). 'without a doubt I am motivated through the services we deliver...and that is a massive massive self-drive for me (Business, Barton).* Interviewees comment how staff are prepared to volunteer for fundraising events as they are so dedicated to the mission.

> *'I can see evidence here that a huge amount of people and across all areas from clinical to the catering to finance support areas who are also proactive in doing additional things...That may be marshalling an event, we have a mid-night walk...and that shows me that people are happy in the job they're doing and in the place they are working' (Finance, Cavell).*

8.3.5 Values demonstrated in leadership and volunteering spirit

In Chapter 7, it is suggested that the Ferreira and Otley's (2009) PMCS framework should be extended for use in the voluntary sector by including values. This goes beyond simply stating them within a mission statement. For a mission to be credible, staff behaviour needs to reflect the values, set out in their documents. Three respondents from different hospices comment explicitly on the need for senior members of staff to provide appropriate role models.

> *'I think they (values and vision) are so interlinked and so closely related, and I think for me the values are the delivery of the vision. It might sound a bit strange. So your values are things that you want to do, believe, behave, deliver, which delivers the vision' (Business, Cavell).*

Leadership is explicitly mentioned by three hospices in connection with mission statements and how the vision and mission is actually adopted within the organisation. When asked about how he took the vision and make it happen, the CEO at Barton replied what *'you are actually delving into is leadership…so much of the ethos of the hospice comes from informal leadership.'*

> *'the important thing for me is about having a vision, being a strong leader, making sure that the organisation can say, whoever you are you can articulate where you think the organisation's going. But actually the work really starts now because I think the next stage is about us really unpicking what we say about our values and our beliefs. What do we mean by that? What do we mean by our mission?' (CEO, Nightingale).*

The strength of conviction is evident amongst the volunteers, with no obvious equivalent in the private sector levers of control described by Simons. The care director at Barton observes that

'*what they volunteer for is something that they value.'* She goes onto explain that they are perhaps one of the reasons why the culture is quite different to an NHS hospital. '*We are blessed with volunteers. They bring in a different dimension so you have not got totally professionals which brings in another level of humanity. Perhaps that is why the culture is different' (Care, Barton).* The trustee comments on her fellow trustees who are *'recruited for the wealth of experience but are also giving up time voluntarily'.* She comments that '*the values in a hospice are very synonymous with my own values' (Trustee, Barton).* Other respondents speak of those who are giving up time, having experienced the hospice for themselves.

> *'If I go back to my volunteers – the little old ladies in the shops – they're there because they want to give something back and they want to volunteer. It's a good thing to do' (Trustee, Cavell).*
>
> *'You rarely see in the NHS somebody who's being looked after in a hospital, their relatives coming back year on year doing something to support that, whereas that happens in hospices. And I also believe there is something therapeutic in that' (Care, Cavell).*

This research suggests that 'ethos' is a more appropriate description of the belief lever of control within the voluntary hospices. The sense of mission is more profound than in the private sector, as the conviction of volunteers and staff demonstrate. The mission statement is a product not a driver of intrinsic rather than extrinsic motivation. It also operates as both a constraint as well as enabler in setting out the mission for external as well as internal stakeholders. Thus, the belief lever of control is broadened to ethos to capture some of the differences within the voluntary sector.

8.4 Responsibility

We have seen how cybernetic controls operate within hospice strategic planning in Chapter 7. Malmi and Brown (2008) identify

cybernetic and planning controls as the second layer of their MCS package, including budgets. They suggest a third layer made up of administrative controls which includes governance and organisation structures as well as policies and procedures. This is part of Simons' (1995) boundary lever, which combines strategic planning with external regulation and internal policies. Tessier and Otley (2012) argue that the level of control should be taken into account, separating strategic and operational controls within the boundary lever. Under the umbrella term of responsibility, this section compares how formal boundary structures and processes are complemented by informally set limits on the hospice senior management teams and operational staff.

8.4.1 Budgets: targets and rewards

> *'We are constrained by budgeting and you have to plan everything in advance because you don't have the flexibility to say part way through the year I suddenly want to do so and so for £50k' (CEO, Cavell).*

Budgets play a role in ensuring strategic control in both Simons' (1995) LOC and the Ferreira and Otley (2009) PMCS framework. All hospices prepare annual budgets, setting boundaries on what expenditure can be incurred. In two cases, a five year financial plan has been constructed to agree with the narrative strategic plan. As part of the operational planning process, two hospices explicitly mention setting targets and one confirms that it is implicit by setting a budget. All hospices manage their operations through budgetary control with the monthly reporting of management accounts.

> *'I think because I issue monthly management accounts to each of the heads of department, then it allows me to spot very quickly if something's going astray but also gives them the confidence of actually doing a good job' (Finance, Cavell).*

There is concern that managing boundaries through budgetary control has not been fully implemented in three of the hospices. The finance director at Barton talks of needing to educate staff. He is concerned that staff do not understand the financial reporting. '*I was coming up against people who did not really know much about their budget...I need to educate them...I want them to tell me in budget terms what is going to happen. The quicker that they take control, the more the system is working and so that's the good way of controlling. And so that monitoring of performance but it has only just started' (Finance, Barton).* His fundraising colleague commented that her team found it '*frightening*', and uses smiley faces rather than variances. She said that *'everyone does the budgeting process but I would be very surprised if everyone truly understood it.*' At Nightingale, the finance director made a similar observation. '*With the best will in the world they don't understand the figures side of things...the've got no idea on budgets, their figures weren't shared'.* He is working to build relationships as the finance function had been remote prior to his appointment. The trustee confirmed it was only the second year that they had had delegated budgets as a result of which they were able to identify *'some really crazy things (were) happening and they took lots of steps to try and reduce that back down' (Trustee, Nightingale).* The former finance director had not made site visits while his successor sees the close working relationship between finance and other departments as essential. As the finance director says, monthly management accounts were '*a bit of a novelty.*'

Budgets in the hospices do not operate in the way envisaged by Ferreira and Otley (2009), setting out targets for financial incentives. Instead, the hospices aspire to budgets imparting responsibility through delegation. Their motivation to keep to the budget is purpose-driven, rather than linked to financial reward. At Guinness, the care director commented on how the newly appointed finance director was supporting budget holders '*to become more autonomous.'* At Barton, '*the boundaries*

are set in that each individual knows what is expected of them and they have their own sets of…we don't call them targets but in financial terms that's what they are. But everyone has their own area of responsibility and my message and mantra is that it is your area of responsibility (Business, Barton). One hospice sets explicit targets and they are intending to differentiate between target and budget. '*A budget which we believe we can realistically achieve, but in addition to that to challenge, and to set some targets for people to aim towards' (Financial, Cavell).* None of the hospices provide financial incentives for budget performance. Staff are not motivated by monetary reward but by a sense of purpose. *'We work because we absolutely love it '(Care, Barton). 'Nobody does this as a job, this is a vocation, this is something everybody does and the minute you stop feeling like that you might as well go because the pain is huge' (CEO, Guinness).*

8.4.2 Board meetings and reporting

> *'I think we do have a very robust plan of committee meetings that take place on a regular basis' (Financial, Cavell).*

At board and senior management level, the five hospices have similar structures of meetings and reports. Two hospices have participated in the Cass project on hospice governance, one of which has concluded that they had good governance arrangements while the other has consolidated meetings as they were advised that they had too many. Nevertheless, these and the other three hospices in this study have similar structures. All have quarterly board meetings with at least one annual away day, invariably to discuss strategy. Every hospice has a structure of board sub-committees. One trustee chairs a board sub-committee, although other trustees attend as well. All hospices have some kind of finance sub-committee, although their remits can differ. Two focus on financial issues, including financial control, remuneration and investments,

such as the Financial Advisory Group and Finance and General Purposes subcommittee. Another has a boarder remit, called Resource Assurance and covers management, staffing as well as finances. All hospices have a clinical sub-committee, although this is given a variety of names (Clinical Quality, Clinical Governance, Healthcare Governance, Care Assurance). One has a wide remit under the title Hospice Services including clinical quality, education, health and safety, and major incidents, while others are focused on clinical issues. There are trading boards responsible for the separate statutory entities of the trading companies with some but not all trustees being directors and some having additional non-trustee directors. There is more variation amongst the remaining sub-committees. In three cases, the business aspects are brought together in one sub-committee, including fundraising, marketing and communications. In two, human resources has its own sub-committee. Two have separate sub-committees for overseeing governance arrangements and board development.

Clear rules are laid down for governance, commented on by at least one interviewee in each hospice, such as terms of reference of committees, internal reporting requirements and meetings. At Guinness, there are twenty policy/practice groups for clinical governance alone each with its own terms of reference. At Cavell this has been simplified to eight clinical reporting groups. 'W*e do have to set ourselves rigorous governance structures so can demonstrate performance externally based on evidence' (Care, Cavell).* At Nightingale, the business director explains that *'they're made quite explicit around the way that we conduct ourselves, the kind of information that we discuss at certain types of meetings and the way that we minute that information and it's quite transparent.'*

The board reviews documents made available for publication, including the Financial Statements and Annual Trustees' Report and the clinical Quality Account. Typically, board members receive strategy documents, the annual budget, quarterly financial reports and reports from the sub-committees. They receive key performance data, such as KPIs, BSC,

and critical success factors, discussed in Chapter 7. Reports are prepared by the subcommittees and submitted to the quarterly board meetings. Adhoc reports and presentations are given by senior managers as issues arise. Monthly management accounts are available but usually only summaries are sent to trustees on the finance sub-committees.

8.4.3 Senior management and staff meetings

Senior management teams meet regularly with different degrees of formality. One hospice has formal monthly meetings of its heads of services or strategy development group. Three other hospices have a blend of formal and informal meetings. One hospice has formal meetings on a weekly basis which the care director acknowledged as '*probably overkill'*, but an improvement on her previous experience.

> *'To me, some of my frustrations in my previous job was the lack of that time with senior people…but it keeps us quite tight and there are some advantages to that'. (Care, Cavell).*

Nevertheless, minutes are only taken at the first monthly meeting. At another hospice, they meet weekly but no minutes are taken. This is to allow open and frank discussion in an atmosphere of trust '*one of the reasons we don't minute those meetings is so the members of SMT can be brutally honest with each other*' (CEO, Barton). A third hospice also has formal monthly and informal fortnightly meetings. At lower levels of the organisations, particularly on the clinical side, there are multitudes of different meetings.

> *'There seems to be huge numbers of meetings, but it's actually joining them up that's missing' (Care, Cavell).*

Hospices have formal channels of communication with all their staff and volunteers. *'(We) have as many communication channels as possible' (CEO, Cavell).* Posters set out values and mission statements. At one hospice, a personal letter has been sent from the CEO to communicate key messages. At another, an intranet is being developed to provide an online method of communication for all staff, with the CEO trying to mimic a 'grapevine' to encourage them to logon. Hospice-wide briefing meetings are held formally in four, with one giving a 'state-of-the-nation' talk four times a year to which volunteers are also invited. Different trustees take part each time *'for people to get to know them' (Care, Cavell).* At another, volunteers are welcomed at an income-generation meeting. Hospices also use TV screens, newsletters and noticeboards to keep staff and volunteers abreast of events.

8.4.4 External regulations and policies

The case hospices are subject to a number of external regulators. The majority of voluntary hospices in England and Wales, including the five case hospices, are companies limited by guarantee so are subject to company law. As charities, they are regulated by the Charity Commission. Trustees are formally restricted by the charitable objects set out in their legal documents such as their memoranda of association or constitutions. Under charity law, specific donations can also be restricted or designated, allowing donors to ensure that their funds are used for specific purposes. They are members of bodies setting out good practise, such as Hospice UK, and the Fundraising Standards Board. Many operate lotteries and are thus bound by lottery regulation. As care institutions, they operate under the CQC and are subject to health and social care regulations such as safeguarding, drugs control, and governance of confidential patient information. The regulation imposed by health and social care is the most commented on, with some interviewees seeing it as setting minimum

standards, while others question whether some of the requirements are appropriate for hospices. All of the case hospices have been subject to unannounced CQC inspections. Moreover, regulation can be seen as a benefit*: 'We need to be regulated. We owe it to our families and our commissioners but it is about being regulated appropriately' (Care, Guinness).*

> *'I'm the Accountable Officer for control drugs, so I would do an update on that and what we've reported to the local intelligence network. I'm the Caldicott Guardian, so I am responsible for any issues that have arisen in relation to information governance. I'm the designated Safeguarding Officer, so safeguarding always has a separate heading in my report. And I'm, obviously, the nominated individual for CQC, so anything in relation to regulatory issues that I need to update on that. So those are the other key areas' (Care, Guinness).*

Boundaries are set on individuals as a result of the regulatory environment, particularly for clinical staff.

> *'supervision is a statutory requirement under regulation. So every single nurse and carer and so on will have one-to-one supervision at least monthly' (CEO, Guinness).*

8.4.5 Internal policies and procedures

External regulation is enforced and extended internally through policies and procedures. For example, financial procedures maintain control of expenditure throughout the organisation, explicitly mentioned by Cavell and Barton:

> *'From a finance perspective, I have some really robust policies and procedures with clear expenditure limits on individuals around the hospice. Everybody has signed up to purchasing policies and*

> *procedures, different people within different departments have limits. We have financial regulations. We perform internal audits' (Finance, Cavell).*

In the case of hospices, there are also extensive clinical requirements. Cavell has developed these to the extent of gaining external accreditation, described by the trustee as a '*kite-mark*,' in part to enhance their reputation. They have had to review all their policies and procedures which brings a huge burden: 'A *big onerous responsibility on the organisation to make sure those documents are credible and upto date and valid and reviewed' (CEO, Cavell).* At Seacole, they carry out unannounced visits by trustees who are specially trained in what to observe and even audit the quality of their appraisal system. Other research using Simons' lever of control as a framework for analysis (all within the private sector) has found similar examples of internal policies setting boundaries, such as CSR guidelines (Arjaliès & Mundy, 2013); customer relationship guidelines (Bruining, et al., 2004); and transfer pricing rules (Plesner Rossing, 2013).

There is a balance to be struck by the formal procedures laid down and what can be dealt with in an informal way. The care director at Guinness gives the example of complaints. Families are reluctant to complain and in some cases just want to have a quiet word about something. However, the care director is trying to log as much as they can, thus seeing an increase in complaints not being due to more problems but by resulting from a more robust process. It is *'not about hanging the staff members out to dry but it's about 'let's see how we can do better' (Care, Guinness).* Cavell have also recently introduced a 'statement of concern' to pick up more incidents formally. This process of formalisation is discussed by Tessier and Otley (2012) and recognised by Bruining et al. (2004) as they observe how after a management buy-out, more formal policies were written by the new owners.

8.5 Performance management: responsibility

Simons (1995) balances his enabling belief lever with a constraining boundary lever with formal controls such as the regulation and strategic planning; both evident in the case hospices. This research however proposes a broader concept than a boundary lever. In addition to the imposed constraints that Simons envisages, hospices demonstrate a wider sense of self-imposed responsibility. They are not merely accountable through reporting structures but have a 'felt-responsibility' to external stakeholders and the wider community. This sense of responsibility is partly a result of professional backgrounds but is also from the commitment to mission. The term 'responsibility' therefore is more appropriate than boundary in a voluntary sector context. Moreover, this better captures a paradox: setting boundaries also enables more autonomy and independence.

8.5.1 Responsibility to stakeholders

> *'There is a correlation between what I am willing to do for them' (and what they pay) (Business, Guinness).*

There are not only formal governance structures but also an informal sense of responsibility to other stakeholders evident within the hospices. Some are more prominent than others reflecting the salience of those stakeholders (Mitchell, et al., 1997). We have seen how hospices value their independence as part of their ethos. This is in part due to their legal status but it also reflects the relative influence of the funders. There is unanimity amongst interviewees, across all roles and hospice organisations, that the extent of funding affects the influence of the funder on the organisation. Where costs are fully paid by statutory sources, hospices accept that they are bound to do what is requested of them:

> *'A 'paid bed': And that's where a commissioner's got a particular identified need...And in those instances, they will pay 100% of the costs. So, in those particular cases, the commissioners call the shots' (Business, Guinness).*

However, where they receive a significantly lower proportion of statutory income, they assert their independence.

> *'Don't try and force your business and processes on me because you only commission 26% of my services, I commission 74%' (CEO, Barton).*

The five case hospices are not fully funded by the NHS, albeit with different arrangements for their statutory funding. Two have block grants with no stipulations over performance levels (although the finance representative could see how close the commissioner was trying to set targets in one case in their negotiations). One has an 'historic' grant with a standard NHS community contract with many performance criteria that do not apply to hospices. Two others have a variety of different arrangements with a series of statutory bodies. It was generally considered that not receiving full funding from NHS commissioners ensures the hospices' independence.

> *'My view on this has changed slightly actually because when I first started here, I thought, well, obviously it would be best if they were NHS funded as much as they could possibly be…. And now I've realised that actually with an increase in statutory funding comes more obligation towards those bodies that are giving you that statutory funding' (Trustee, Nightingale).*

When asked whether their independence would be threatened if they had statutory funding levels of over 50%, the respondents were unanimous in agreeing that their self-determination would be threatened. *'I make the point that not more than half because one still wants to*

continue to do what we do in the way we want to do it' (CEO, Cavell).

Where the proportion of statutory funding is relatively high, the finance director is clear: '*I do not feel independent…because we are so reliant on NHS income...it feels as if we are very, very regulated. '* The trustee commented that there is always the '*threat that you could have that service taken away*' if they fail to provide the information required by the CCGs. However, where a case hospice receives significantly less than 50% of its total income from statutory sources, an increase in this funding would be welcomed. A smaller proportion of statutory income might make them more independent of the NHS but it also makes them more vulnerable to fluctuations in other sources of funding which are less reliable and more costly to generate.

> *'The downside of that is we can be then also be constrained by charitable income generation. At the end of the day, it is ultimately the generosity of individuals that make that happen in lots of different ways. Corporately, collectively and individually. So the independence and that authority to change is also constrained by the generosity of others ultimately' (CEO, Cavell).*

8.5.2 Responsibility to the community

> *'Hospices also have strong local and regionalised traditions. It's got a fairly high profile locally, a good reputation' (Trustee, Cavell*).

Reliant on the community as the main source of funds, they are *'dependent on a grateful public as they recognise it could be me or mine' (Trustee, Barton*). The business director at Nightingale spoke of his '*patch*' as hospice shops are somewhat territorial. Their local reputation is their unique selling point, according to the CEO at Barton. '*We are proving our worth and therefore why they should donate to us.'* Their dependence on

funding brings a strong sense of moral responsibility: '*Social responsibility to the community…it's what we do here and the fundraising community brings in most of our income and they expect us to support those families (Business, Guinness).* It extends beyond patients to employees, with the case hospices being a *'large business in the local community…that means we have a responsibility to the community in all sort of different ways' (CEO, Nightingale).*

However, social awareness due to the need for funding is outweighed by a sense of community and co-operation. Within the case hospices, moral responsibility influences staff attitudes to spending money, with similar examples being cited by three of the five hospices.

> *'I mean we do consistently keep saying that that was someone running a half marathon, if someone's wasted some money that someone's endured 13 point whatever miles for … that £60 that could've been dealt with better' (Finance, Nightingale).*

The hospice movement is known for its community roots. CEO at Barton explains that their current strategy is to '*reinvest back in our heartland*.' Hospices are using community nurse specialists to complement the support provided at the hospice site as an 'integrated care model'. *'Community work is about the desire to give the patient the opportunity to die at home' (CEO, Cavell). 'There is a very strong case for collaborative working' (Business, Barton).* The CEO of Guinness stresses the importance of co-operation even if the benefit cannot be attributed to one part of the collaboration. He cites Henry Truman saying 'I*t doesn't matter how we get there, so long as you get there as 'you're adding in from the side through opportunities other agencies, organisations, individuals, contributing to that improvement in wellbeing' (CEO, Guinness).*

8.5.3 Sense of responsibility: professional and organisational culture

While they value their independence, this in turn brings other responsibilities. If performance expectations are not imposed by funders, the board and senior management team create their own in providing what they consider to be the best service for their patients.

> *'And there is a lot of freedom to be had…freedom and accountability and responsibility that can be taken by an organisation…because a lot of freedom comes with that and we could provide a better service' (Trustee, Nightingale).*

There is evidence of a sense of responsibility both professionally and organisationally within the hospices. The trustee at Barton gives the examples of role descriptors as means of setting individual boundaries and these are clearly part of the formal systems. She also describes *'professional boundaries for those giving direct line care...and I also think training is about setting boundaries' (Trustee, Barton).* At Guinness, the finance director has *'for want of a better expression, behavioural standards, it's not just what we do, task-wise, whether we're good, bad or indifferent at it, but it's how we approach our job.*' Informal controls are set by the culture of the organisation. *'I buy into the philosophy then everyone else buys into the philosophy and no way will I do anything that harms this organisation' (CEO, Barton). 'It's a natural process of inculcation whereby people just know' (CEO, Guinness).* He gives the example of staff knowing where to draw the boundary in their professional relationships with patients and their families: '*Because if you think about it you've got to be incredibly close to a family, friendly but never a friend' (CEO, Guinness).*

8.5.4 Performance management: autonomy

> *'I don't feel constrained' (CEO, Cavell).*

There are clearly constraints on CEOs: '*I think a strong board is the constraint for the CEO and in particular a strong Chairman who is*

independent of the CEO, whilst working effectively together. So the combination of a strong board and a strong chairman and clear measures of what we're expecting, so that there is accountability' (Trustee, Guinness). An accountant contrasts the tight control of the CEO exercised by the trustees with the autonomy he had experienced between non-executive directors and CEOs in commercial life, such as in approval levels for expenditure. Yet, despite these, all CEOs spoke of their empowerment, not restrictions. Two spoke of the informal constraints, such as self-restraint and professional boundaries.

Simons (1995) argues that organizational participants can view boundary systems as either constraining or liberating, as freedom of action within specified bounds. 'In a perverse way constraint creates freedom in which the inspirational role of beliefs systems can flourish' (Simons, 1995 p53). 'Although boundary systems are essentially proscriptive or negative systems, they allow managers to delegate decision-making and thereby allow the organization to achieve maximum flexibility and creativity.' He goes as far as to suggest that employees are protected from senior management pressures by such boundaries. There are ample examples of this paradox, with hospice managers feeling liberated, within certain bounds, across all case hospices:

> *'If you've got somebody in a role, no matter how junior, if you could create an environment where they've got full ownership of that role, they understand what needs to be achieved but you allow them to achieve that in their way, I think you get the best out of people' (Business, Cavell).*

Similarly, the senior managers in three hospices commented on the autonomy that they are given as opposed to the constraints under which they placed, both by the board and the CEO. The care director at Cavell answered '*very little'* when asked about the boundaries that are put around her job. The business director at Barton attributed her long

employment at the hospice to the autonomy she had been given. The finance director relishes his independence after his experience of the commercial world.

> *'I give them (directors) a lot of freedom on a day-to-day basis and I expect a lot of autonomy from them...what are the key areas that you're going to deliver on? And we agree those upfront and then we would have a process of checking back against where they said they were' (CEO, Nightingale).*

Acknowledging their own freedom, senior managers try to give those that report to them equal freedom. They do also expect to be informed if things are not going to plan.

> *'If, for whatever the reason, you are not going to meet your target or something is not going to be achieved, it is your responsibility to let me know' (Business, Barton).*

8.6 Relationships

We have seen cybernetic control mechanisms operating within performance management systems in Chapter 7. This chapter has shown how these are complemented by Malmi and Brown's (2008) two other layers of control which make up their package of controls (administrative and culture). By examining these under the headings of ethos and responsibility, both formal and informal controls are seen to work in conjunction. Mission statements are complemented by the conviction of staff and volunteers. Policies and procedures are complemented by organisational philosophy. Underpinning these control mechanisms are the formal meetings between the board and senior managers, or Simons' interactive lever of control. However, in voluntary hospices, the communication amongst all stakeholders is evident, including the board, staff, volunteers, funders and the wider community. Informal relationships

as well as formal information-based face-to-face meetings are part of this interactivity.

8.6.1 Internal board and SMT relationships

The interactive lever of control identified by Simons (1995) is concerned with the formal information systems used by managers to influence their subordinates' decisions. We have seen the challenge and debate between board and the senior management team within the strategic planning process. There is clearly an emergent strategy as the board seek to involve other managers in identifying strategic uncertainties, very much as Simons envisaged in Chapter 7. However, we have seen in the responsibility section how there are different patterns of interaction between the senior managers, with a mix of formal and informal meetings within all the case hospices. There are also notable differences in the formality of the relationships between board and senior management teams (see section 3.2 for charity governance arrangements). To ensure good governance and accountability, the trustees acknowledge the formal role they need to play. '*As a trustee, it is a very formal role actually' (Trustee, Nightingale).* One staff member commented on the formality of the trustee role: '*It is always the trustees who make the final decision. It means that there is quite formal relationship between the trustees and senior management team with quite a lot meetings' (Finance, Barton).* Despite this, the role of the trustee is generally regarded as one that provides leadership and strategic direction but is not involved in day-to-day decisions, *'It's a sense check really that we're heading in the right direction' (Finance, Nightingale).*

> *'The ED's are the executive and they are accountable for the operations; I don't see too many incidences where trustees are getting involved in the day-to-day' (Finance, Guinness).*

The relationships between boards with their senior management teams strike a different balance in their formal and informal interactivity across the case hospices. At Nightingale, the relationship between the board and SMT is predominantly formal, possibly due to the lack of change in membership. '*They seem to be more remote than I've met in other hospices (Finance, Nightingale).* The finance director comments on the need to appoint trustees for a limited period as some had been on the board for twenty years. Another comments that they are '*perhaps from a different era and we do need to evolve the situation.*' She explains that this should include bringing more women and younger people, rather than the '*good chap from The Rotary*.' The CEO also says that she was working hard with her board to *'understand the complexities of the business much better and to bring in new board members and really strengthen the governance.'* In a second hospice, there is involvement at the highest level but with scope for the SMT to act as they see fit, albeit in dialogue with their trustees. The finance director typically meets a trustee three times between formal meetings: *'one immediately before to discuss the content of the assurance meeting; one perhaps some time after the assurance meeting to say where we're going; and one in the middle to keep abreast of what's going on. I think there would be similar dialogues going on. I know there are similar dialogues going on with fundraising' (Trustee, Guinness).* At Seacole, the trustee declares *'it's not my role to interfere...we are the check and balances. I think we are the constraints.'* In the other two, the boards are more proactive in taking the strategic initiative and decision-making. Several senior managers described their relationship with trustees as a partnership. At Barton, there are weekly chats between CEO and Chairman.

> *'There is an open dialogue… it does feel like partnership' (Trustee, Barton).*
>
> *'The Treasurer is in more often but on an informal basis, walking around chatting to the troops but others don't do it' (CEO, Barton).*

At Cavell, trustees are involved more closely but working in conjunction with the senior management team. They all have their individual role descriptions and appraisals; they also have a handbook and induction. If they chair a sub-committee, they are expected to write the reports for the board meetings in conjunction with the appropriate senior manager. The finance director describes her treasurer as her 'partner' adding *'as a senior management team we probably drive their thinking down certain routes...but when we go away on our away days, we all focus on the plan of action to help us achieve those goals' (Finance, Cavell). 'It wasn't us and them and it wasn't management preaching to trustees, it was a facilitated session, which we all agreed' (Trustee, Cavell).* Trustee support is welcomed:

> *'Having worked in other charities where trustees can be more demanding and create work where actually it isn't required, here they are quite supportive…I would say I work in partnership with trustees' (Business, Cavell).*

In one case, there is a moderate concern that the trustees are intervening a little too directly, following the Cass review after which the trustee concluded that strategy *'has been too much led by the senior management team (CEO, Barton*). *'They used to really rubber stamp that but perhaps if it is not being managed correctly they will be dictating what the hospice should do as opposed to governing what we do' (Business, Barton).* The finance director concludes *'we have an executive which is not an executive' (Finance,Barton).* There are clearly different and quite fluid patterns in the formality of trustee and senior management relationships.

8.6.2 Internal staff and volunteer relationships

'I do get a sense of togetherness' (Trustee, Cavell).

While every hospice has examples of the formal communication channels, all cases express the need for strong informal communications between employees. While the relationships between board and SMT illustrate different patterns of formality between the hospices, informal interactions between staff at all levels are considered to be a vital part of running all hospices.

> *'So you have got that kind of support process and time and explicit permission to take yourself away for half an hour and have a chat with the chaplain about how you are feeling…The staff were working in an environment which is very stressful' (Care, Barton).*

Senior staff recognise the importance of making time to listen to staff, as part of their remit. '*I don't like to turn somebody away, because I think as a leader that's part of your responsibility' (Business, Cavell).* Senior managers acknowledge the need *'just to be accessible, to be visible, to be easy to talk to' (Business, Cavell).* One hospice stressed the 'open door policy' of its senior managers; its CEO was even criticised for being too accessible in his 360 degree review. Two other CEO's spoke of the importance of being available to staff with one seeing walking around the hospice is an important aspect of his leadership *'walk slowly amongst your men and smile' (CEO, Barton).* Another pays weekly visits to the hospices under his remit. A fourth CEO speaks of corridor chats:

> *'It's about people stopping you in the corridor or me stopping them and having a chat and hearing how they are first-hand' (CEO, Nightingale).*

Good communication is essential for maintaining morale and motivation, both of staff and volunteers. Mutual support amongst staff is also encouraged in both formal and informal ways.

'we're also running something called Coaching Conversation, which allows people at a lower level to have chats with one another about things that are mutually beneficial ' (CEO, Guinness).

'There is a formal process but without a doubt there isn't someone they can't turn to and they think they would be listened to' (Business, Barton).

As we have seen in Chapter 7, senior staff also rely on informal communications as an informal diagnostic tool. When asked how they knew if the hospice was 'doing well', many answers from senior staff referred to the informal interactions with staff. Inter-departmental interactions are also considered to be key, partly within the clinical functions but also across support departments. In three cases, the finance managers are working to build closer relationships with their clinical colleagues. *'Previously the finance team was very isolated in its role and one of the key things that we wanted to achieve, with the appointment of the head of finance, was somebody that could do the numbers but could be external facing. Because what we recognised was that we needed engagement in the finances beyond the finance function' (Trustee, Nightingale).* The recently appointed finance director at Guinness sees *'the rest of the organisation as a customer of our service.'* Such relationships are not restricted to the finance function. The CEO Barton wanted *'to mix the smoke*', (improving inter-departmental communication), when he took on the role, the CEO at Cavell talks of '*cross fertilisation'* between clinical and medical staff and the business directors at both Seacole and Nightingale use the same phrase about avoiding silos: the strategic process is *'very much about not working in silos so instead of doing things in insolation we're doing things collectively' (Business, Nightingale).* The business director at Seacole speaks of the need for '*a good flow*' through the organisation to best serve the patients and supporters, as well as cost-effectiveness, achieved through the cross-fertilisation across disciplines. Such relationships are helped by the size of the organisation which is also

seen to promote good interactive relationships by two of the three smaller hospices.

> *'One of the things with having a smaller hospice…you're visible and people become confident to approach you and ask questions' (Finance, Cavell).*

8.6.3 External commissioner relationships

A broader concept of interactive systems than Simons (1995) described is needed to reflect the contribution of both formal and informal communications to the good performance of a hospice. This is not limited to relationships within the hospice but to the external stakeholders as well, such as funders and the wider community. Simons (1995) suggests that there should be interactions between senior and operational management to determine strategy. However, we have seen how hospices demonstrate a much wider involvement of stakeholders in their planning processes (see Chapter 7). The CEO at Nightingale speaks of the importance of communication at the outset, consulting not only internal but also external stakeholders in the construction of the vision. Their key goals and deliverables '*were shared far and wide across all of our local public sector organisations, through some community groups, some hard to reach groups with volunteers.'* By creating a *'collective vision'* she believes that they have *'created a much stronger sense of autonomy I think and contribution from people at every level, including volunteers, because they're very much a key part of the strategy as well. So I think it's about talking to people and getting into those conversations early' (CEO, Nightingale).*

Control is exercised as much through hospice relationships with their NHS funders as through formal diagnostic reporting, previously seen in a public sector case studied by Kominis and Dudau (2012). As the care director at Barton said: '*in my role, it is important that I have good working*

relationships with people such as commissioners'. While one respondent stresses the lack of freedom to negotiate on the levels of funding, they do discuss what constitutes appropriate reporting metrics. '*So we've done a lot of negotiation with xxx on what we would like to report back on that's valuable to them and meaningful' (Care, Guinness).* It is the relationship between them that works to their mutual benefit with the collaborative nature of the relationship being noted by interviewees.

> *'The advantage of not being totally funded by the NHS means that we have a level of freedom and I would want the minimum of reporting to take place so we can focus on the care of the patient rather than doing lots of returns which we do in the NHS that takes up time…So mutually we have agreed with commissioners that these are the key metrics. We have a good relationship with the commissioners' (Care, Barton).*

Hospice staff are concerned that moving to a tariff-based system would undermine this spirit of collaboration and increase the administrative burden:

> '*We need to meet much the same level of contract conditions that someone like Virgin healthcare would..all sorts of details we have to sign in blood to say we comply. So it's hugely onerous for a small organisation like this' (Finance, Guinness).*

> *'the language of competitive tendering is not supportive of collaborative working because what happens is you start to set up coalitions'(CEO,Seacole).*

Such an approach would result in hospices becoming more transactional and less relational. Instead, the CEO at Nightingale sees palliative care as a golden thread: '*In order to help change the culture around end-of-life care, my personal view is it would be more helpful to move away from a tariff*

and to actually think about how you can weave palliative medicine into all aspects of medicine within various settings.'

In three hospices, there is a well-developed collaborative relationship and in a fourth they are hopeful of negotiating improved reporting in the near future. '*So we are doing so much work around this (quality) which is good that they are now listening to us and not using these silly measures' (Care, Cavell).* In the fifth, it is harder due to having many contractual relationships but the director responsible says: *'A lot of what I do is based on relationships, that the commissioner understands our service*'. They are also working towards achieving consistency across different funders. At Seacole, the CEO believes that managing a mixed portfolio of different financial arrangements, even within the statutory income, is the key to managing a high dependence on statutory sources. She encourages strategic discussions with higher levels of the CCG management rather than just monitoring the contract details, although she experiences frustration that the NHS strategy evolves so much more slowly than that of the hospice.

8.6.4 External Community relationships

'This is where you get the independence...it is the volunteers and the funding' (CEO Barton)

Hospices are seeking to build collaborative relationships with their communities. Their mission is to provide the services needed within their localities. To do this, they are dependent on their volunteer workforce. Hospices are most concerned to preserve their local reputations. The external accreditation achieved by one hospice allows them to endorse their high standards of quality publically. The business director at Barton explains that the shops need to present a professional image, worthy of the quality of clinical provision offered to patients. Two CEOs comment on

the importance of giving appropriate messages, both ultimately to ensure their funding levels are maintained.

> *'Talking to the staff, making it clear to them what is the unique selling point to xxx…it is its reputation. Anything that would impair the reputation would impair fundraising and their jobs' (CEO, Barton).*

Increasing efforts are put into effective communication strategies. Investment is made in donor relationship systems. '*I mean part of the common strategy is to engage with people better*' not simply promoting single events but using different social media for different audiences. *'It's using the right channels to do the right thing to get to people'.* Moreover, she is looking for long-term income streams *'Every time I write a cheque out to a charity it's going to be xxx. That's the relationship we want to get with people*.' To achieve this, information has an important role to play. *'Then you've got to give them something, it's about that exchange. And the exchange from our point of view is information' (Business, Nightingale).*

8.6.5 Performance management: relationships at the heart of the hospice

'In simplistic terms, we are a business involved with people' (Care, Barton).

In the context of a hospice, Simons' LOC overlooks the importance of informal interactions and communication in the achievement of its impact. Fundamentally, relationships are at the heart of a hospices' operation. We have seen it has a key role in sharing information between the board, senior management team, staff and volunteers. It underpins the effective leadership on which good staff morale depends. Nevertheless, it is the caring relationships built by staff with patients that is at the heart of what makes performance 'good' in a hospice (see Chapter 6). To achieve its outcomes, a hospice is heavily dependent on staff interaction through understanding a patient's needs. At one hospice clinical staff have training

in advanced communication skills as *'communication is so essential in terms of patients and carers' (Care, Barton*). In another, communication is an explicit part of their strategy. At Barton, the values include 'collective leadership', explained by the care director as:

> *'I mean I think a lot of the time the staff that work in a hospice, whether it's the chaplain or housekeeper or nursing staff or whoever, they're assimilating a lot of information about a patient and a family which translates into a total package of care which is very difficult to define and describe and certainly very difficult to purchase. And I mean as much as it would be wonderful to think you could deliver care like that in any setting to any person, to me it's inevitable I think that hospices have captured that so well, because of their purpose and what they're trying to achieve. But if you could bottle that and deliver that in other settings as well that would be very powerful' (CEO, Nightingale).*

Thus, communication is at the heart of what the hospice is setting out to achieve and also benefits where there are good interactive relationships with external stakeholders including funders and the wider community.

Table 8.1 Generic and voluntary sector Levers of Control

Simons' Lever of Control	SLOC : defining features	Voluntary sector levers of control	Sector–specific modifications	Hospice examples
Belief	Formal, information-based mission statements to motivate, inspire and direct employees	**Ethos**	Informal ethos as well as formal belief Purpose and values, rather mission statement, inspires and directs Intrinsic rather than extrinsic motivation Volunteering spirit, staff commitment Charitable objects act as a boundary defining activities External mission enables stakeholder funds to be spent appropriately Resolves internal conflicts over priorities, preventing mission-drift	Holistic philosophy including psychosocial and spiritual aspects of care.
Boundary	Formal strategic plans, budgets Formal policies and procedures to limit activities of opportunity seekers	**Responsibility**	Informal boundaries as well as formal Organisational culture and professional boundaries External stakeholder influence sets limits Sense of responsibility to the community Self-restraint through commitment to the mission imposes constraints Cost-control through commitment to mission	Commissioner relationships as relational as well as transactional control
Diagnostic	Formal performance measures to correct deviations from intended strategies	**Judgement**	Informal diagnostics used to evaluate performance Sense of atmosphere, corridor conversations Community reputation Anecdotal stories	A good death is an intangible outcome. Spontaneous family letters Trustee hospice visits
Interactive	Formal meetings between executive directors and senior managers to identify emergent strategies	**Relationships**	Informal communication amongst all levels of staff External as well as internal communications Community relationships	To aspire to a good death involves good relationships and communications between patients, families, board, staff and volunteers.

Source: Author's analysis of case findings

8.7 Flesh on the skeletal framework

Derived from the analysis of case hospices, Table 8.1 sets out how the LOC framework may be adapted for use in both the voluntary sector. Examples from hospice performance management are used to 'flesh out' the skeletal framework set out in chapter 5, derived from the literatures of management control and the voluntary sector. This incorporates some of the fundamental differences between the voluntary sector and the private and public sectors, such as being mission-driven with multi-stakeholders and different governance structures. Three themes are identified in this chapter – ethos, responsibility and relationships. This is supplemented by evidence from the case hospices to build a new performance management framework.

A new lever, ethos, captures a more complex set of controls than Simons envisages in his belief lever. Rather than a formal mission statement inspiring employees, the commitment and sense of purpose of trustees, senior managers, staff and volunteers is evidence of strong intrinsic and informal motivation. Mission statements operate in different ways to other sectors, acting as a boundary, defining and limiting its activities, as well as motivating staff. Such limits ensure that stakeholders can provide funds in the knowledge that they should be used as they intended. Mission statements are cited where conflicts arise to ensure the mission is prioritised over commercial expedient.

This research proposes a responsibility lever instead of Simons' boundary lever. As well as the formal controls of rules, procedures and strategic plans, this includes informal constraints, such as organisational culture and acceptable professional behaviours. A sense of personal restraint arises from a commitment to the mission. The influence of stakeholders sets expectations and puts limits on a voluntary sector activities. Cost control is not only maintained through budgets but also a

sense of responsibility. The case analysis suggests that the diagnostic lever needs to incorporate more than performance measures, discussed in chapter 7. Entitled judgement, this lever describes how performance is evaluated in voluntary sector organisations. Informal diagnostics, such as anecdotal letters, corridor conversations, a CEO's sixth sense of how it is performing internally and reputational feedback from the community all contribute to how the performance of a hospice is evaluated.

Simons' fourth lever, interactive, is considered here to underpin the other levers to such an extent that it is not a separate lever at all. It includes communications between all stakeholders, not just meetings between senior managers and their direct reports. As informal communications have as important role to play as formal face-to-face meetings, this is described as relationships. This supports Simons' own elaboration of his framework where he distinguishes between 'design attributes' and 'attention patterns'; the latter being the use of lever such as interactive (see Chapter 2).

8.8 Conclusion

This chapter addresses the question if hospice performance cannot be fully measured, how can it be managed effectively. It draws upon the management control and voluntary sector literatures from which a skeletal framework is derived. Responses from semi-structured interviews with hospice personnel, guided by the protocol informed by the Ferreira and Otley's PMCS framework, are used to put 'flesh' on the skeleton. In chapter 7, a new lever 'judgement' is proposed to enhance Simons' diagnostic lever. This chapter also highlights the need to extend Simons' LOC to incorporate informal as well as formal controls in other levers and applicable to all sectors. This chapter also recommends modifications to SLOC for use within the voluntary sector, including an ethos and a responsibility lever, in place of belief and boundary respectively. Together

with relationships, these form a new performance management framework for the voluntary sector, set out in Chapter 9.

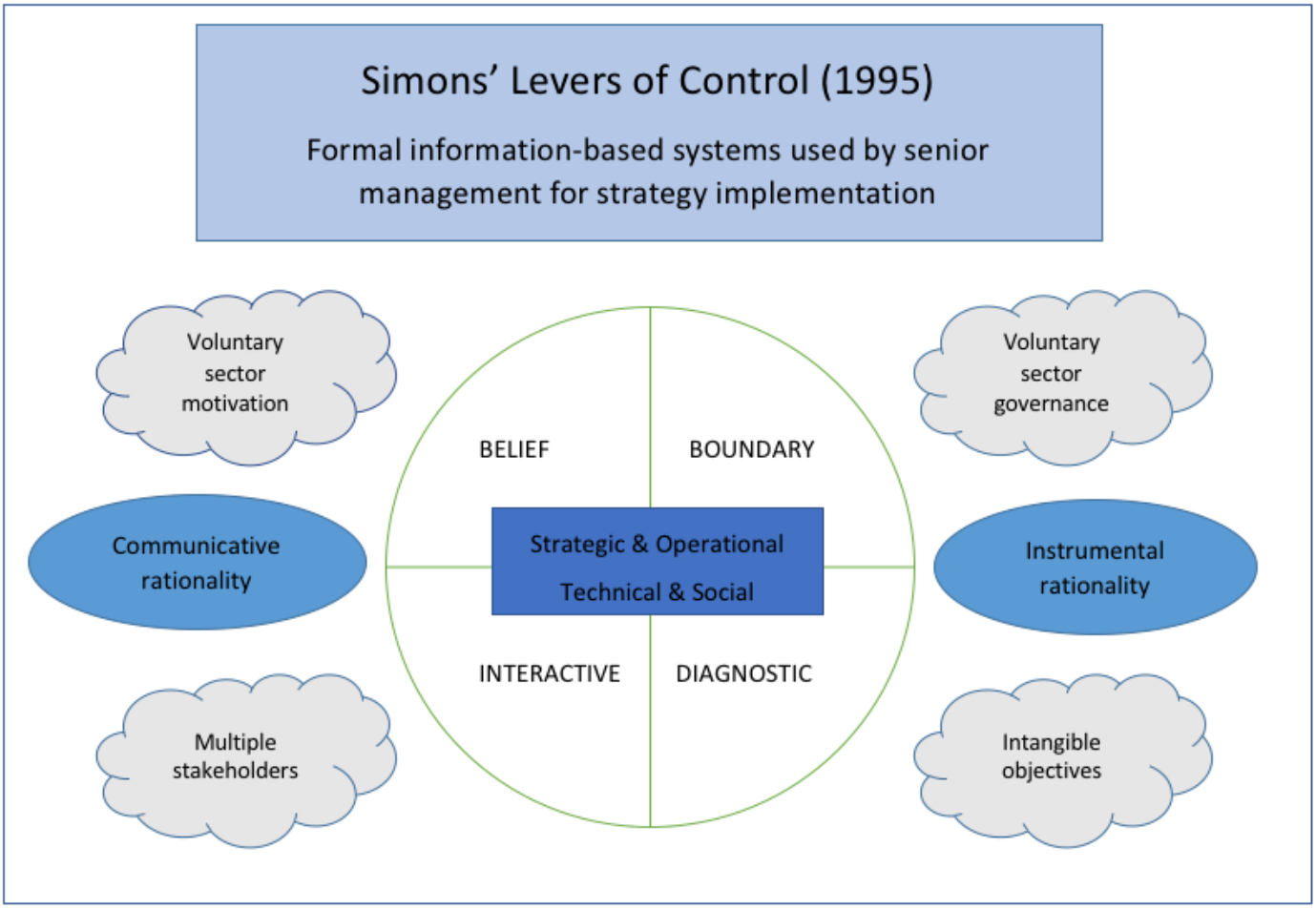
Chapter 9: Discussion

9.1 Introduction

Drawing on the skeletal framework, developed in Chapter 5, a new framework is developed for understanding performance management in voluntary hospices in the UK in this chapter. The skeletal framework incorporates the features of two management control frameworks: Simons' (1995) Levers of Control (LOC) and Ferreira and Otley's (2009) Performance Management and Control System (PMCS). It also includes modifications suggested by management control theorists and the characteristics of the voluntary sector. Ferreira and Otley's (2009) PMCS is used to analyse the strategic alignment of the aims, strategies, objectives, measures and achievements of 148 hospices in England and Wales in Chapter 5 and to develop the interview protocol for the case studies. Simons' (1995) LOC framework is used to analyse the responses from twenty-five trustees, CEOs and senior managers in the five case hospices in Chapters 6, 7 and 8. The skeletal framework enables the integration of these findings and provide insights into the role of performance measures in the management of hospices. Analyses of the statutory returns and the case studies add the 'flesh' to the skeletal framework. (Broadbent & Laughlin, 2013).

9.2 Development of a voluntary sector performance management framework

Figure 9.1: Skeletal framework

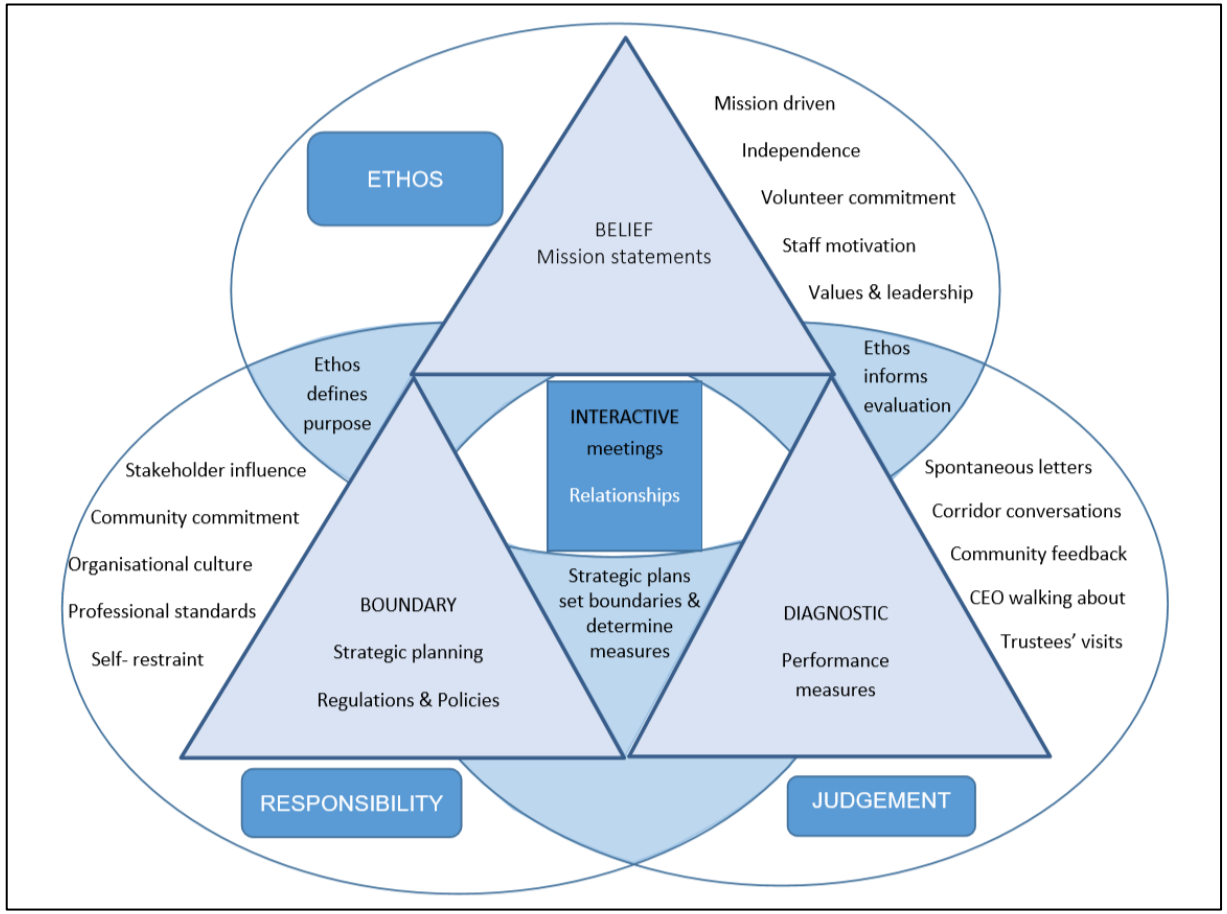


Source: author's own interpretation of the literature of management control and voluntary sector performance measurement.

A framework for voluntary sector performance management is derived using the findings of this research to flesh out the skeletal framework (see Figure 9.2). This is a circular framework rather than a hierarchical, linear or causal linear model. Performance management is more than mechanistic and transactional diagnostic measures. It incorporates organic and relational controls. Three of the four levers of Simons' framework (belief, boundary and diagnostic) are represented by triangles. However, this research concludes that his fourth interactive control underpin these three levers and is not a separate lever or 'design attribute.' Instead it is how the other levers are used or an 'attention

pattern.' These triangles represent the formal information systems identified by Simons. However, the voluntary sector performance management framework also includes the broader informal levers of ethos, responsibility and judgement to complement the formal belief, boundary and diagnostic levers respectively. Informal controls identified in the case hospices include values, intrinsic motivation and volunteering spirit within the ethos lever. The commitment to the community, stakeholder influence, organisational culture and professional standards are informal controls operating within the responsibility lever. Judgement is exercised when evaluating the performance of voluntary organisations, informed by the anecdotal evidence of patient letters, community feedback, corridor conversations and trustees visits. Figure 9.1 illustrates how the levers of controls overlap each other. Ethos set limits through defining the hospices' purpose and influences how performance is evaluated. Strategic plans set boundaries and determine what performance measures are used.

Figure 9.2: A Performance Management Framework for the Voluntary Sector



Source: Author's own

9.2.1 Not a hierarchical framework

Attempts to impose vertical linearity on performance management frameworks in the voluntary sector over-simplify the complex mix of mission and money, described in both narratives and numbers. Evidence from the case hospices supports the conclusions drawn in the voluntary sector literature that good performance is intangible, difficult to define and has multiple objectives eg Forbes (1998) and Sawhill and Williamson (2001). This is contrasted with perceptions of simplicity in the private sector with its single bottom line (Kaplan, 2001; Speckbacher, 2003). Many interviewees comment on the difficulty of defining the fundamental purposes, objectives and how success is perceived in practice. '*It's a really difficult question' (Business, Guinness).* The overriding outcome suggested by the NPC and independently identified by two interviewees is the provision of a 'good death.' This is an extreme example of a voluntary sector outcome, as its beneficiaries cannot provide even anecdotal evidence of good performance. However it illustrates how voluntary sector outcomes may not be measureable and how many other factors need to be considered to determine 'success'. Good outcomes can also include the needs of stakeholder groups other than the patient, such as families and other health care providers. Proxies for a good death, such as place of death and hospital admission prevented can be employed. Factors which contribute to a good death such as the quality of service provided can be used to imply good performance. When a comparison is made of what respondents consider to be good performance against what they actually measure, there is not a complete match. Rather than suggesting that this indicates inadequate management control, it can be concluded that good performance management is not necessarily demonstrated just by the measurement of outcomes. Representing the flow from aims or outcomes to performance measures as a clear hierarchy, such as in the Ferreira and Otley (2009) PMCS framework therefore over simplifies the complexity of voluntary sector performance management.

9.2.2 Not a causal model

Management control theory sets out four key conditions for effective performance management: there must be a clear aim or purpose; whose outputs must be measurable; the measures need to be predictive, showing the cause-and-effect relationships; and corrective action must be able to follow (Emmanuel, et al., 1990, p. 8). Simons (1995) not only endorsed this but supplements it with the condition that performance measures should be complete. Even if their outcomes are not easily measureable, hospices do have many outputs that can be measured. We have seen the extensive reporting of financial performance internally in the management accounts and externally in their statutory returns. Operational output (statistics on the care provided) provides most of the numerical reporting in the TAR and Annual Reviews, funder reports and internal performance measurement. However, there is little evidence that these outputs are used to demonstrate any cause-and-effect relationship. Quality of care is taken as a proxy for a good death but no direct causal links are established between the two. There is little evidence of any internal costing systems relating cost per unit or activity operating effectively in the case hospices, beyond illustrative costs used for marketing purposes. Moreover, after seven years of discussions and analysis, the National Palliative Funding Review has not been able to determine any agreed tariff for hospice services, relating stages (currencies) of patient decline with the costs of activities to support them.

While the voluntary sector literature on performance measurement has a myriad of different systems for measuring performance, one dominant model is that of the logic model, whereby inputs, outputs and outcomes are compared to assess efficiency and effectiveness. Connolly and Hyndman (2003) have criticised the lack of reporting of these 'higher' levels of performance in UK Charity statutory reports over the last thirty

years. The findings of the analysis of the hospice SIR and TARs (in Chapter 5) supports the conclusions that there is an apparent lack of reporting of efficiency and effectiveness measures. However, this research does not endorse the conclusions drawn from their analysis that poor quality external reporting is a product of weak internal control systems. Instead it suggests that efficiency may not be an appropriate question to ask of voluntary sector organisations. Moreover, effectiveness is better determined by considering how they fulfil their objectives, rather than by measuring outcomes against outputs.

Evidence from the five case hospices suggests that the distinction between outputs and outcomes becomes blurred in the perception of the interviewees. *'The words are interchangeable really' (Trustee, Seacole).* Outcomes are clearly contrasted with outputs in the logic model. 'Outputs represent what a programme actually does whereas the outcomes are the results it produces' (Poister, 2003, p. 38). However, when asked about good hospice outcomes, almost half of the interviewees reply in terms of quality of service, or outputs, rather than the results of the programme. The distinction between quality of *service* and quality of *patient experience* is not clear and used interchangeably. There is a significant overlap of what is considered to be success and the means by which success is delivered, as the response of the trustee at Cavell below suggests.

'Good performance in a hospice? And I'd go back to finance, to make sure that it's managing its finances…. But there is something about quality. Are you providing a good quality service? How do you measure that...quality is a bit of a perception. What you need to do is understand that that's how it's being perceived by the patient, their carer and the family so that … there are ways of doing that, which you know. Patient surveys and the latest thing is friends and family tests and that kind of stuff' (Trustee, Cavell).

Financial viability, committed staff and good community relations are all considered as part of the good performance of a hospice. Thus the 'ends' and 'means' become intertwined and so it is misleading in any framework for the performance management of voluntary hospices to have clear-cut linear or causal relationships between outputs and outcomes. This research suggests that it is less clear in the perceptions of hospice management. Any framework which incorporates a mechanistic causality is likely to misrepresent what is happening in practice.

One hospice employs the BSC, a model distinctive for its cause-and-effect relationships. However, Nightingale's BSC focuses on efficiency measures rather than cause-and-effect links. The use of the BSC here endorses the findings of Gurd and Guo (2007) that many healthcare sector BSCs have not evolved beyond a dashboard and do not demonstrate the higher levels of strategy-mapping proposed by Kaplan and Norton (2000). This may not be due to lack of sophistication on the part of the hospice but can imply that the BSC, operating as a causal model, is an inappropriate way of assessing hospice and arguably, voluntary sector performance.

9.2.3 Diverse, aligned and integrated performance measures

While a hierarchical or causal model may misrepresent voluntary sector performance management, there is evidence of diverse, aligned and integrated performance measurement systems within the voluntary hospices. The performance measures used are clearly diverse with non-financial measures, particularly operational care metrics being reported alongside financial measures. Extensive efforts are made to align performance measures to hospice strategies with four of the five case hospices explicitly doing so. They demonstrate different approaches to achieving strategic alignment. Cavell identifies critical success factors which measure the key elements of their hospices strategy. Nightingale use a BSC format to report against key indicators across the main function of their

operation. Guinness has created an extensive reporting structure based on the logic model, incorporating outcomes, outputs and measures. Seacole uses an operational plan to link hospice strategy and individual appraisals.

The hospices integrate their performance management systems but not in the causal way described by the literature. Hospice performance measurement demonstrates a balanced approach but one that balances words with numbers rather than across different sets of metrics. Three hospices use narrative reporting as well as numbers in their board reports to demonstrate their good performance within their hospice. At Cavell, the critical success factors are described in both words and numbers. At Guinness, the logic model incorporates milestones as well as numerical targets. Seacole reports against strategic milestones with operational and financial data being reported to the board separately.

> *'With the impact statement, it's no numbers without words and no words without numbers and that's really important in terms of communicating the value of the work that we do. You need both.' (Business, Guinness).*

Hospice performance reporting is integrated but not as described in the voluntary sector performance measurement literature. Operational outputs are reported against strategic aims, thus incorporating both the strategic and operational dimensions of management control recommended by Tessier and Otley (2012). However, outcomes are predominantly described in terms of the impact on an individual patient or their families. There are only a few cases where they consider the broader impact of the hospice on society. One CEO acknowledges a responsibility to ensure beds are utilised efficiently so that as many patients as possible can benefit. One trustee expressed the good performance in terms of the hospice's strategic aim of meeting the estimated need of all the patients in the community. These findings support the argument of Ebrahim and Rangan (2014) that measuring shared outcomes and societal impact should

be the responsibility of organisations at a higher level and not the individual organisations. In the case of hospices, the number of people dying in their place of choice is a health authority, not a hospice, outcome. Any framework should therefore reflect strategic outcomes in as far as the voluntary organisation is able to make an identifiable impact on them.

9.2.4 A comprehensive framework with informal as well as formal controls

This research supports the view that a voluntary sector performance management framework should be comprehensive by incorporating both informal as well as formal levers of control. Prior research calls for the examination of informal controls operating within Simons' LOC (Martyn, et al., 2016; Mundy, 2010). However, there has been limited empirical evidence of how this operates in practice and this is mainly confined to research in the private sector. Collier (2005) has demonstrated this but only for two of the four levers, observing how boundary and interactive levers operate informally in an entrepreneurial company. Bruining at al. (2004) examine the change of culture in an organisation following a management buy-out. There is just one study using LOC to examine a voluntary organisation: Chenhall et al. (2010) analyse the clash between cultural and economic capitals in an NGO. By extending Simons' LOC to incorporate social controls, the skeletal framework can be used to analyse the responses of twenty-five interviewees and bring insight to how informal controls operate within the case hospices.

Belief is a powerful part of the management control system operating within the case hospices. Simons' (1995) in his LOC describes how formal information systems exercise control in his belief lever. He identifies mission statements as the primary means to motivate and inspire employees. Indeed, the case hospices are using mission and vision statements in the way in which he envisages. They are formally drawn up,

communicated throughout the organisation and are used to motivate staff. However, Ouchi (1979) and Merchant and van der Stede (2012) do not limit such controls to formal information-based controls and recognise the contribution of informal, clan, social and cultural controls to management control. The case hospices endorse the inclusion of informal values and commitment to mission within a performance management framework. In fact, the holistic hospice philosophy is such an important factor that this research proposes a new lever, ethos, which encompasses much more than mission statements. The sense of purpose amongst trustees, senior management teams, staff and volunteers is not driven by a formal document. Leadership provided by the board and CEO, the values upheld by them and their senior management team and the conviction of volunteers all suggests that the commitment to mission is a *product* of informal social control. The mission statement is not the source of inspiration and motivation, as argued by Simons for the private sector, but the *result* of the strong ethos within hospices and arguably the voluntary sector as a whole.

Boundaries are set by the hospices and their management team through formal governance processes, identified as administrative controls by Malmi and Brown (2008). In many ways these are akin to the boundary systems, described by Simons (1995)**.** Hospices are subject to regulation through society's laws, organisational belief systems and professional codes of conduct. We have seen how hospices choose to extend these through policies and procedures across all aspects of their operations. Simons (1995) emphasises the need for strategic boundaries to be set through the planning processes considered as a cybernetic system in Malmi and Brown's (2008) package of controls and discussed in Chapter 7. These are clearly evident in all case hospices with strategies being drawn up, and operating plans, annual budgets and appraisals setting out expectations for the hospices and their staff. While there are many examples of boundary controls operating in the private sector (Bruining, et al., 2004; Arjaliès &

Mundy, 2013; Plesner Rossing, 2013), there is only one example in voluntary sector literature. This merely confirms that boundary controls are circumvented by belief control (Chenhall, et al., 2010).

The findings of this research show how informal as well as formal boundary controls impose limits on the case hospices. Bruining et al. (2004) argue that the internal organisational philosophy imposes boundaries on staff in their study of management buy outs. Such informal boundaries can be found in the case hospices too but the findings shed light on other informal constraints as well. In the responses from the interviewees, it can also be seen how limits are set through the external influence of stakeholders. Funders exert pressure through the dependence of the hospices on their donations. However, there is not only evidence of externally imposed constraints and accountabilities but also self-imposed boundaries, or a 'felt-responsibility' (Ebrahim, 2003). Senior managers set limits on themselves through a sense of self-restraint. They develop a sense of responsibility from the informal commitment to mission and impose limits on themselves. In a similar way, there is a sense of responsibility to provide value for money. Staff are cost conscious, not necessarily due to the imposed financial controls but as a result of a commitment to manage their operations responsibly. This implies that a broader notion of 'responsibility' should be used in the proposed framework for performance management in the voluntary sector rather than simply the formal boundary controls. Trustees, CEOs and senior managers are given responsibility through formal management control systems such as organisation structures and governance procedures but they also take responsibility for themselves as a result of their commitment to mission and purpose and knowing from where the money has come.

There are several aspects of hospice performance that are not frequently captured by the formal diagnostic performance measurement systems. Volunteer time and donated goods are not often measured as part of the inputs. Goodwill and compassion are not measured as part of

the outputs. Anecdotal evidence, such as patient stories, is not part of the measurable outcomes. Informal diagnostics are used to complement the formal measures, such as a CEO's sixth sense of how the hospice is performing internally and its external reputation in the community. Judgement, the third lever, is used by trustees, CEOs and senior management in evaluating the performance of the hospices. Simons (1995) envisages his interactive lever as the formal information-based systems where senior managers interact to manage strategic uncertainty. However, there is as much evidence of informal communications being an important part of hospice performance management as the formal information systems. The case hospices provide abundant evidence of informal communication playing a fundamental role in the management of the hospices, alongside formal meetings between the board, and senior managers. This is not surprising and prior research has provided evidence of this in all sectors. Collier (2005) argues that control is exercised in an entrepreneurial company through the informal meetings with staff in pubs while travelling. Bruining et al. (2004) see the venture capitalist, owner/manager relationship as key after a management buy-out. Kominis and Dudau (2012) find a move from diagnostic to interactive controls in the public sector. Chenhall et al. (2010) find evidence of informal organic controls operating as case workers have informal meetings with co-ordinators.

9.2.5 Interactive control underpins a performance management framework

Simons (1995) identifies the interactive lever as a separate control system, operated by senior managers. It is clear that interactivity within the hospices does not only include formal meetings between the board and senior managers but informal communications with staff, volunteers and external stakeholders. Mundy (2010) goes as far as to argue that the

interactive lever is the most important of the four controls advocated by Simons. Management control theorists such as Tessier and Otley (2012) argue that the types of controls need to be distinguished from the uses of those controls. Broadbent and Laughlin (2009) set out to extend Ferreira and Otley's PMCS framework, particularly the outer rings which incorporates Simons' LOC. Their conceptual framework is designed to show *how* organisations chose to operate different controls on a continuum between relational and transactional approaches. The case hospices provide evidence of both relational and transactional controls operating in tandem. In Chapter 6, delivery of good performance is achieved through people as well as processes. However, Simons (1995) in his appendix draws the distinction been 'design attributes' or types of control, such as boundary and belief levers, and 'attention patterns' or uses of control such as diagnostic and interactive methods. He goes on to show in his appendix that controls are not only used diagnostically, but that diagnostics can also be the levers of control themselves, as performance measures. This suggests that there are three, not four formal levers of control: belief; boundary; and diagnostic. They can all be used interactively and arguably this underpins the framework as a whole. The mapping of Ferreira and Otley's PMCS (2009) onto Simons' (1995) LOC in Chapter 2 shows how all elements of the PMCS framework are used interactively. Indeed it is hard to imagine any organisation operating without extensive communication between all levels of management in most if not all of its operations.

This research therefore concludes that any notion of control involving interactivity should include both formal and informal communications across all organisational levels and with both internal and external stakeholders. The term 'relationship' provides a more comprehensive description of this lever. However, these relationships underpin every other control to such an extent that it is misleading to represent it as a control in its own right. This endorses Malmi and Brown's

(2008) typology which does not identify communication or interaction separately.

9.2.6 A framework with overlapping controls

A defining characteristic of Simons' (1995) LOC is the dynamic tension between the different levers. There have been several studies which have demonstrated the importance of observing how all of Simons' four levers of control are operating in conjunction (Tuomela, 2005; Mundy, 2010; Bruining, et al., 2004; Kominis & Dudau, 2012). His levers are designed to balance the tension between the enabling and constraining influences. While boundary and diagnostic levers limit an organisations activities or 'yin', belief and interactive controls are designed to promote innovation or 'yang'. While Tessier and Otley (2012) dispute the positive and negative connotations, they accept the enabling and constraining terminology. The belief control is therefore seen as a 'positive' enabling 'yang' control, counterbalancing the 'negative' boundary control. However, this research shows how mission statements put limits, acting as the 'yin' around certain activities in a voluntary sector context. They are used to define their fundamental raison d'etre in the absence of a fundamental private sector purpose of maximizing shareholder value and public sector service provision. While the use of mission statements as a means to engage stakeholders has been cited in levers of control literature (Arjaliès & Mundy, 2013; Chenhall, et al., 2010), the case hospices illustrate how it can be used to set boundaries (see Chapter 8). The mission statements and charitable objects ensure the activities are used to fulfil its purpose. This should also make certain that stakeholder funds are spent in line with their intentions. Mission statements are also used to determine individuals' objectives within their appraisals and set out the values to be upheld by staff members. Expectations of acceptable behaviour are set through recruitment, induction and training, showing how the values can

be put into practice. There are examples in the case hospices of how the mission statement helps to resolve conflicts within the organisation, limiting the free action of senior managers.

> *'My particular challenge is with the retail company. Of course, we're supported by commercial undertakings and commercial drivers...And I still have to say in the end you belong to me, you're not an independent company. These are the constraints under which we operate and I'm afraid you will adhere to them as well, however annoying and frustrating you may feel it to be. At which point of course I get lots of steam being blown at me' (CEO, Guinness).*

This could provide evidence to support the theoretical claim by Tessier and Otley (2012) that belief could be considered part of boundary control. Alternatively, this research suggests that the belief and boundary levers of control overlap each other (see Table 9.1).

Moreover, there are ample examples of overlaps between the other levers of control. There is extensive overlapping between the boundary and diagnostic levers. Strategic plans, budgets and costing systems not only determine the limits under which managers operate but also set out the diagnostics against which they will be measured. Milestones focus senior managers' attention on certain priorities and allow progress to be monitored. Operational KPIs set limits and enable performance evaluation. Belief systems also overlap with diagnostic controls. Mission statements determine which measures are considered important and why they are selected as the key indicators of performance. Informal diagnostics, such as sensing an atmosphere and interpreting corridor conversations, are influenced by the judgement and ethos of senior managers. A sense of achievement is gained through intrinsic motivation in fulfilling its purpose as well as diagnostic results.

Table 9.1 Overlapping levers of control

Ethos/ Responsibility	Ethos of the organisation determines what is acceptable organisational activity Purpose, set out in mission statements and charitable objects, sets limits on a voluntary organisation's activities Charitable objects ensure stakeholders' funds are spend in line with their beliefs Mission statements are used to set objectives in individuals' appraisals Mission statements include values, guiding senior management and staff behaviours Personal conviction in the mission encourages self-restraint Recruitment, training and induction helps to create and communicate organisational ethos and limits Conflicts are resolved with reference to mission
Responsibility/ Judgement	Strategic plans set boundaries and determine measures Budgets, KPIS and costing systems limit expenditure and enable performance evaluation Milestones focus management attention on acceptable activities and track progress against plans
Ethos/ Judgement	Mission statements set out what is considered to be good performance, thereby influencing what is measured Informal judgements influence how performance is evaluated Ethos provides intrinsic motivation and sense of fulfilment, instead of reward through achievement of performance measures

Source: author's analysis of the case study findings

9.3 Conclusion

A new performance management framework for the voluntary sector is proposed. The findings from the hospice case studies enable the flesh to be put on the skeletal framework drawn up in Chapter 5. This framework is not hierarchical, nor causal. It is comprehensive in that it includes both formal and informal controls. It is argued that one of Simons' levers, interactive, is not a separate lever but describes how the other three levers are used. This has implications not just for the voluntary sector but also for all sectors. A more nuanced understanding of how the levers overlap and interact with each other is offered. Three new levers of control

are identified: ethos, responsibility and judgement, underpinned by relationships.

Chapter 10: Conclusion

10.1 Introduction

Voluntary hospices in England and Wales are typical of voluntary sector organisations in that they are under increasing pressure to account for their performance to a wide range of stakeholders in a variety of ways. This thesis considers whether it is meaningful to measure their performance. While the purpose of hospices, including their outcomes and outputs, is expressed in a number of ways, there is an overarching aim of enabling its beneficiaries to experience a 'good' death. If this cannot be measured meaningfully, then it is reasonable to ask how hospices can be managed effectively. There is well-established research into performance management within management accounting, developing from the seminal work of Anthony (Berry, et al., 2005) and a growing literature on voluntary sector performance measurement. This thesis considers how the theories from each set of literature could influence the other and how frameworks developed in one sector might be applied effectively in the other. In particular, this research considers the applicability of Ferreira and Otley's (2009) Performance Management and Control System and Simons' (1995) Levers of Control to the research of management control within a voluntary sector setting.

Adopting middle-range thinking, a skeletal framework for research into the performance management of English and Welsh voluntary hospices is developed from these literatures (Broadbent & Laughlin, 2013; Laughlin, 1995). This skeletal framework provides the language to make sense of voluntary sector performance management by carrying out inductive research into five hospices case studies. The 'flesh' is then put on the skeleton to create a framework for performance measurement and management for UK hospices and possibly the voluntary sector as a whole.

10.2 Gaps in management control and voluntary sector performance measurement literature

This thesis draws on both the literature review of management control and voluntary sector performance measurement. These reveal gaps in both sets of literature. The review of management control literature demonstrates that there has been limited discussion of voluntary sector performance management within it. Certain characteristics of effective management control are identified in the literature. Performance measures need to be diverse, including non-financial as well as financial measures (Ittner & Larcker, 2003). Performance measurement systems need to be aligned to organisational strategies and objectives (Kaplan & Norton, 1996). Performance management requires integrated models, demonstrating cause-and-effect (Chenhall, 2005). Moreover, effective management control includes organic controls such as social and cultural controls (Merchant & Van der Stede, 2012). Informal controls complement formal controls; transactional controls must be balanced with relational controls (Broadbent & Laughlin, 2014; Broadbent & Laughlin, 2009). These all constitute a package of controls but not as a prescriptive system. Specifically, there are no examples of the performance management framework, Simons' Levers of control being applied fully within a voluntary sector organisation.

The literature review of voluntary sector measurement also reveals gaps in the literature. There are calls for more studies into UK charity performance and how it is measured within the charity reporting literature. This review compares the literature of voluntary sector performance measurement to management control theory, considering how differences between the private, public and voluntary sectors affect notions of effective management control. It questions if management control theory applies to the voluntary sectors and to what extent it needs modifications to suit this particular context. Voluntary sector organisations have different purposes, governance structures, multiple stakeholders and

shared outcomes, all of which have implications for effective control. Nevertheless, the purposes of performance measurement information within the voluntary sector are not so different to that of the generic literature. This research uses the four purposes of performance measurement information identified by Henri (2006): monitoring; decision-making; attention-seeking (problem-identification); and legitimation. However, when the voluntary sector performance measurement literature is compared to the characteristics identified in the management control literature, differences emerge. The voluntary sector has an abundance of measurement tools which are diverse, aligned and integrated (Cordery & Sinclair, 2013; Moxham, 2013). Performance measurement includes qualitative as well as quantitative methods, incorporating participatory and relational models. There is, however, no explicit acknowledgement of the notion of management control as a package.

10.3 Research questions and methodology

This research sets out to consider how voluntary sector organisations exercise effective control over their operations. In particular, it seeks to answer the question of what role performance measures have to play in management control; ie how measures are used to manage their operations. It considers how other control mechanisms complement performance measurement in the management of a hospice. This requires an understanding of what is considered to be good performance in a hospice, how the delivery of good performance is ensured, what measures are used and how these contribute to overall control or performance management. To answer this fully, it is important to understand what the information is used for and who drives the need for that information. An inductive approach is considered the most appropriate as it there has been little prior research and it addresses not simply what performance measures are reported but how and why those measures are used. As the

voluntary sector is so diverse, this is explored by investigating one sub-sector, voluntary hospices in the England and Wales. They share many of the challenges facing the voluntary sector as a whole, such as a dependence on reduced government funding, increasing pressures to report their performance, and a blurring between sectors as they seek more commercial income. To gain an overview of this subsector, the first phase of the research analyses all 148 hospices in England and Wales with an income of over £1m in 2012. This examines their statutory returns to the Charity Commission which reports on their aims, strategies, measures and achievements.

While the statutory returns give a comprehensive view of what measures are reported externally, it does not provide insight into the internal operations of the hospices. Prior research has inferred the quality of internal performance measurement from what is externally reported (Connolly & Hyndman, 2003). The second phase of this research investigates if such an assumption is credible. Statutory returns can help address what measures are reported by hospices, albeit in the context of their aims and strategies, but they cannot reveal how the measures are used in practice. Connolly et al. (2015) call for research into how individual charities understand what is meant by 'performance', how it might be measured and reported. An inductive approach is adopted to gain insight into what role performance measures have in the overall management of a hospice. It uses middle-range thinking (Broadbent & Laughlin, 2013) to put the 'flesh' of voluntary sector performance measurement on the 'skeleton' of management control theory. Otley (2016), in paying tribute to the contingency approaches to research into management control over the past 30 years, now calls for more qualitative research to be undertaken in this field; not only does he recommend case studies, he also endorses middle-range thinking as an appropriate research strategy. This is achieved through case studies of hospices: semi-structured interviews of twenty-five senior managers and trustees are analysed alongside the documents of the

five voluntary hospices. As the five hospices are placed within the context of the hospice sector, this research adopts Yin's model of an embedded case study approach (Yin, 2009).

10.4 Choice of management control framework

Two frameworks from the management control literature are considered as a means to investigate how performance measures are used within the five case hospices. Having identified a gap in the voluntary sector literature of management control as a package, two comprehensive frameworks are used to structure this research. The first phase of the research employs the Performance Management Control System (PMCS) (Ferreira & Otley, 2009) to analyse the statutory returns of 148 voluntary hospices in England and Wales. This addresses three research sub-questions: what is considered to be good performance; how is it best delivered; and how is it measured. It is particularly useful for establishing the extent to which the hospices align their aims, strategies, measures, objectives and achievements; a key characteristic of effective management control. The second phase of the research uses the Ferreira-Otley PMCS to structure the questions addressed to the interviewees but carries out thematic analysis, informed by Simons' Lever of Control (LOC) (1995). This puts performance measurement (diagnostic control) into a broader context of management control by considering the complementary levers of belief, boundary and interactive control. Three further sub-questions can also be addressed: who and what drives performance measurement information; how is it used; and what role do measures play in the management of voluntary hospices.

10.5 Findings from the analysis of hospice statutory reports

The analysis of the statutory reports (SIRS and TARs) for 148 voluntary hospices in England and Wales show how certain characteristics

of effective performance measurement are demonstrated. Performance measures are diverse in that they include non-financial measures alongside the financial statements. There is partial alignment seen from the comparison of aims, strategies, measures, objectives and achievements. While there is a good degree of coherence overall in the themes put forward by the hospices, at an individual hospice level, there was little strategic alignment. There is limited evidence of the use of integrated causal models, such as the public sector logic model which compared inputs, outputs and outcomes or the BSC with four linked perspectives, extensively used in the private sector. A comparison of the Summary Information Returns (SIRs) and the Trustee Annual Reports (TARs) demonstrates that, while charities have to report their achievements against specific annual objectives in the SIR, no detailed objectives for the following year are reported in nearly 70% of the TARs. Following Lord Hodgson's (2012) report into the Charities' Act of 2006, the SIR is no longer required. While the new Charities SORP (FRS 102) (Charity Commission, 2015) lays out reporting of objectives and achievements in more detail than SORP 2005 (Charity Commmission, 2005), it does not specify that a charity should report its achievements against the specific annual objectives declared in the previous year by the charity (which had been required in the SIR). This research suggests that any future regulation should encourage charities to declare specific annual objectives as well as longer term future plans and then report against them in their TAR in the following year.

10.6 Findings from five hospice case studies

Analysis of the external reporting of hospices gives limited insight into how measures are actually used internally. Twenty-five senior managers and trustees from five hospices were interviewed and key documents analysed to understand how performance measures are used in

practice. Fundamentally, good performance in a hospice is difficult to define and even harder to measure. The achievement of a good death is at the heart of the philosophy of the hospice movement. As such, it provides an extreme example of an intangible outcome amongst voluntary sector organisations. It can be observed by those sharing the experience but this hardly provides objective measurement at such an emotional time. There are proxy measures such as choice of place of death or ability to cope. Some involve complicated counterfactuals, such as saving hospital admissions and reducing pressures on bereavement services. It is possible to measure some aspects of how good performance is delivered, or the means rather than the end, such as the provision of high quality services. Volumes of services can clearly be measured but measurement of the quality of services (such as number of trips and falls) is criticised for not providing meaningful information. Moreover, staff motivations, commitment and personalities are viewed as critical to successful delivery of services but they are also intangible or measured by crude proxies of staff turnover and absence. There is considerable overlap between good performance and its delivery, in the responses of interviews. While the voluntary sector literature neatly defines outcomes and outputs, interviewee perceptions blur such distinctions.

The five hospices respond to these challenges by reporting their internal performance in different ways. The sheer number of different performance measures is vast and is dominated by financial inputs and service outputs. However, there are limited attempts to make connections between the two at anything other than a high level. Conspicuously, there are no detailed costing systems other than a crude cost per bed-night and illustrative costs for marketing purposes (such as cost of a syringe driver to control a patient's pain or a day of patient care). One hospice, by exception, reports in a format derived from the logic model reporting outcomes, outputs and inputs but does not attempt to measure efficiency and effectiveness by comparing outputs to inputs or outcomes to outputs.

Hospice performance measurement systems are diverse but are only partially aligned and there were no examples of integrated, causal models that would enable the efficiency and effectiveness of hospices to be measured. This would appear to support the conclusions of external UK charity reporting and endorse the claim that perceived poor reporting externally reflects weak internal performance management. However, evidence from the five hospices contradicts the conclusions of the SIR and TAR analysis. Although only one of the five case hospices achieves alignment in their external reports, four of five report this internally. One hospice reports nearly 70 predominantly clinical measures to the board, as a dashboard with no overt link to their strategy. However, three of the remaining four cases use their strategies to determine their measures. They do so in quite different ways: critical success factors derived from strategy; using a BSC format to monitor efficiency-styled measurements; a logic model styled report to control actions as well as performance measures; and operational action plans. Rather than just numbers, words and milestones are used to report achievements.

This thesis argues that mechanistic, quantitative, causal performance measurement models may not hold the answer to effective performance management. More interviewees comment on people or relational aspects than process or transactional means to deliver good performance. Twice as many use activities rather than measures to describe their achievements in their SIRs. Efficiency and effectiveness is not reported in a manner anticipated by the logic model. Instead, effectiveness can be shown by comparing achievement against strategy and objectives, but more often in words than in numbers. Moreover, a comparison between what is considered to be good performance and how it is best delivered to what is reported internally by the hospices shows that there are gaps. Outcomes such as coping skills, place of death and admissions prevented are intangible or outside the control of the hospice, playing only a part of the complicated journey of patients and their families. Outputs

such as staff motivation, leadership, communication, and hospice reputation go unmeasured. Yet these are key parts of what constitutes good hospice performance and its successful performance management. In the absence of a comprehensive set of measures, this thesis argues that voluntary sector performance management should recognise the concept of management control as a package.

10.7 Contribution of this research

10.7.1 Development of a hospice and voluntary sector performance management framework

This research makes a contribution to both the management control and voluntary sector performance measurement literatures by proposing a new performance management framework. It suggests that a broader view of performance management in the voluntary sector is taken. Rather than seeing this merely as acting on performance information, it needs to acknowledge that measures are only one part of a more complex 'package of controls'. The overwhelming majority of interviewees see information requirements being driven internally and confirms that it is mainly used for monitoring and decision-making. When asked about what the purposes of performance measurement information, they suggest that it is used to improve rather than prove their performance to the outside world, unlike most of their UK charity counterparts (Pritchard, et al., 2012). Nevertheless, this research also reveals the extent of complementary management controls operating alongside the measurement information. This thesis also suggests modifications to generic management control frameworks, in particular Ferreira and Otley's (2009) PMCS and Simons' (1995) LOC, for use in the voluntary sector. Three levers of control are identified: ethos, responsibility and judgement. This thesis argues that

Simons' interactive control is not a separate lever but underpins the other levers of control.

10.7.2 Modification of the PMCS framework for the voluntary sector

This study of hospice performance management contributes by shedding light on the limitations of applying generic management control frameworks in a particular context; in this case the voluntary sector. Textbooks on management control make brief comments on their suitability to sectors other than the private sector eg Ferreira and Otley (2009). In Chapter 7, this research shows that, while largely applicable, there need to be some sector-specific modifications. The Ferreira and Otley PMCS (2009) framework needs to recognise the role of values as well as mission and vision. It needs to acknowledge the different motivations of the voluntary sector, replacing the extrinsic reward and incentive question with an understanding of intrinsic purpose-driven mission. It also needs to include milestones and staff appraisals as well as key performance indicators as measures of performance. If hospices are typical, voluntary sector organisations consult external as well as internal stakeholders in the formulation of their strategy and there would appear to be more internal consultation at all levels of the organisation. The other modifications apply to all sectors such as recognising external environmental analysis and emergent strategies.

10.7.3 Informal controls within Simons' LOC

Simons' LOC (1995) has been criticised for limiting its scope to formal information systems at senior management levels. This research makes a contribution by giving evidence of informal controls operating at all levels of the organisation. These are particularly pertinent in the

voluntary sector. Purpose-driven, voluntary sector organisations are inspired by their purpose and values and not just by a mission statement. The ethos underpins the success of the hospice in promoting its vision, maintaining its independence and inspiring its staff and volunteers. Clearly evident are the high levels of staff motivation and supportive leadership. This is much broader than the formal belief lever set out by Simons in his LOC. With multiple accountabilities to different stakeholders, a sense of felt-responsibility complements the formal boundaries of strategic plans and organisation structures. Intrinsic rather than extrinsic motivations underpin a hospice's good performance. Staff control costs by being responsible as well as through formal budgetary control. With outcomes that are hard to define, evaluation of performance cannot be limited to performance measures. There are informal ways in which senior managers and trustees evaluate how the hospice is operating, such as spontaneous letters from families, corridor conversations, gleaning an atmosphere from walking around the hospice. Underpinning these is the importance of relationships and good communications between board, senior managers, staff volunteers, funders and most especially beneficiaries. This research argues that the fundamental characteristics of voluntary sector management, such as being purpose-driven, having multiple stakeholders and often lacking measurable goals, should be recognised as making important contributions to performance management. It is not just through increased performance measurement that performance management can be enhanced.

10.7.4 Voluntary sector LOC dynamics and overlapping levers

This research makes a contribution to the literature in that it explores the different dynamics operating within the levers of control framework. There have been two studies using the LOC in the voluntary sector. Neither explores the defining characteristic of this framework - the

dynamic interplay of the four levers – within this context. In a private sector context, the belief control is considered to be the 'yang' or enabling force balancing the 'yin' or constraining force of boundary control. However, in the voluntary sector these roles are more complicated. The ethos lever is not only enabling but is also constraining as it limits the organisation by using its mission to define its fundamental purpose. External stakeholders need to have confidence that their funding will be used for the purposes stated. Mission statements help to resolve internal conflicts over priorities, particularly as they become more dependent on commercial income, to prevent mission-drift. On the other hand, rather than boundaries being imposed, as the 'yin', there is a positive sense of moral responsibility to beneficiaries and the community. The hospices, with a tradition of independence, demonstrate this paradox very clearly: a sense of freedom within certain boundaries. While their strategic plans set limits, it also empowers senior managers giving them authority and autonomy.

10.7.5 Reconfiguring Simons' LOC for the voluntary sector

This research makes a contribution by identifying three levers of control: ethos; responsibility; and judgement. These are all broader than the formal information systems that Simons originally proposed for the private sector (represented by the triangles on the diagram). These incorporate informal controls and overlap each other (shown as circles on the diagram). It is also argued that Simons' interactive control is in reality a use of control rather than a type of control. It fundamentally underpins how each of the control operates in practice, both formally through meetings and informally through relationships. Rather than being a 'design-attribute', or lever, it is an 'attention-pattern' or a use of controls. This is implied by Simons himself in the appendix of his book (Simons, 1995, p. 180). This also suggests that diagnostic control is both a 'design attribute'

as well as an 'attention pattern'; in other words, it can be both a lever (or noun), described here as judgement as well as describing the use of a lever (as an adjective). This research concludes that a voluntary sector framework should not be hierarchical; instead there are complicated networks of relationships between internal and external stakeholders. As linear, mechanistic causality is not easy to determine with so many intangibles, the framework is presented as a series of overlapping circles.

10.8 Limitations of this research

There are a number of limitations within this research. While the case studies are set in the wider context of performance measures reported by 148 voluntary hospices in England and Wales, insight gained into how the measures are used is derived from five case studies. While thematic generalisations may be inferred from these cases, they may not be typical of the hospice sub-sector, let alone the voluntary sector as a whole. While there are notable differences between the cases, such as proportion of statutory funding, level of surplus' and reserves, nature of their contracts with commissioners, ethnic backgrounds of their patients and differing relationships between the board and senior management teams, four hospices have similar amounts of revenue and are single operational units, rather than having a head office and a divisional structure. A second limitation is the range of stakeholder perspectives gained through the interviews. Insights were sought from senior managers and trustees rather than all levels of hospice staff. Insights from beneficiaries would be interesting but very hard to obtain in such an emotionally-charged situation. The views of funders, particularly commissioners, would enhance understanding of how control is exercised through their relationships with the hospice management teams. A third limitation arises from this: it has been argued that performance measurement should be limited to what is in the operational control of the

hospices. Wider societal outcomes can be considered at a higher level and through the study of a wider supply chain of palliative care networks and partnerships. There are two methodological limitations. First, as all interviews took place on site, something of the hospice atmosphere was gleaned. Nevertheless observations of staff would have provided more triangulation. Second, Broadbent and Laughlin (1997) argue that to achieve a full Habermasian discourse, conclusions from the study should be discussed with participants so that they go on and make changes as a result of the research. In one case hospice, the findings were informally discussed with the finance director, with comments about how useful this approach would be in their future discussions with commissioners. This could have been a more extensive process involving other stakeholders and hospices.

10.9 Further research

'There is a tremendous amount of trust in hospices because of the nature of the work' (Business, Barton).

There are a number of ways that this research could be developed further. Throughout this research, there are hints at the role of trust underpinning these controls. This is in contrast Simons' (1995, p. 40) need for formal boundary controls, where staff are seen as 'opportunity seekers', in a private sector setting with low levels of trust. The comments from interviewees illustrate how trust is instrumental at all levels. The hospice culture depends on trust: *'I think the success of the organisation is the culture created, the fact that it is a trusting culture: that is very respectful. People are very respectful and supportive of each other. I think that is the heartbeat. I don't think it is the procedures and processes although of course they are important' (Trustee, Barton).* This affects relationships between the board and the senior management team: *'They (trustees) have faith in the leadership and trust you actually' (Business,*

Cavell). Trust between colleagues is also key: *'There had been discussion amongst senior managers about trust; they conclude that trust "is what makes it work for us'' I have to totally trust my clinical colleagues. I have to trust that they are professional, they have the expertise, that what they say to me is fact' (Business, Barton).* There are also trusting relationships with external stakeholders such as the commissioners: *'I'd say we've got a really open relationship with them with high levels of trust...it's a very co-operative relationship' (CEO Nightingale).* This has implications for the governance of charities, particularly where trust breaks down. As the make-up of boards and senior management teams are changing, with an increasingly competitive environment and more commercially orientated trustees, the trusting relationships between stakeholders may be undermined.

10.10 Conclusion

The voluntary sector faces a dilemma between measuring all key aspects of their mission, however difficult, or acknowledging that some aspects of their mission simply cannot be measured. This thesis develops this by considering how one subsector manages the unmeasurable. The mission of voluntary hospices' has been described a ensuring 'a good death'; an intangible and complex outcome dependent on a network of health providers amongst other factors. Its successful delivery depends on both measurable services as well as unmeasurable relationships. This thesis advocates that the performance management of voluntary hospices should not be limited to performance measures but incorporate broader notions of management control. Hospices are committed to a holistic approach to the end-of-life; this research advocates a holistic approach to how it evaluates its performance. Diagnostic measures should be complemented with belief and boundary systems. However, these formal levers of control, identified by Simons (1995), were developed in the context of large private

sector organisations. This research finds evidence of three informal and overlapping levers: ethos, responsibility and judgement. These operate alongside formal ones in a new framework for performance management within hospices and other areas of the voluntary sector.

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Appendix 1:

Voluntary sector performance measurement literature

	Cordery and Sinclair 2013	**Moxham 2014**	**Literature**
Financial, monetary	**Economic/ financial** SROI, cost-benefit analysis, outcome rating scale, social audit		Ritchie and Kolodinsky (2003) Schmitz et al. (2011) Tinkleman and Donabedian (2007) Van der Heijden (2013)
	SROI		Arvidson et al. (2010) Luke et al. (2013)
Diverse, non-financial		**Multi-dimensional**	Lecy et al. (2012) Polonsky et al. (2010) Bagnoli & Megali (2011)
	Programme theory Logic model		Buckmaster (1999) Gasper (2000) Kendal and Knapp (2000) Macpherson (2001) Poister (2003*)* Campbell (2002)
		Programme Evaluation	Hoefer (2000) Fine et al.(2000)
Aligned, strategic		BSC	Hough et al. (2015) Kaplan (2001) Manville (2007) Manville & Broad (2013) Speckbacher et al. (2003) Greiling (2010)
		Strategic	Sawhill and Williamson (2001) Bradach et al.(2008) Sheehan (1996) Epstein & Buhovac (2009)
Integrated, causal		Outcomes monitoring	McEwen et al.(2010) Benjamin (2012) Ebrahim & Rangan (2014) Lowe (2013) MacIndoe Barman (2012)
Social, cultural		**Reputational**	
		Benchmarking	Conly Tyler (2005)
		Impact	Greatbanks & Manville (2010) Ebrahim & Rangan (2014)
		Peer review	Purcell & Hawtin (2010)
	Participatory/narrative Outcome mapping 'MCS' (Most significant change)		
Other			Cairns et al.(2005) Poole et al. (2000) LeRoux & Wright (2010)

Appendix 2: Summary Information Returns (SIRs)

Question 1 - The charity's aims

What are your charity's aims?

Question 2 - Who benefits?

Who benefits from your charity's work?
How do you respond to their needs and how do they influence the charity's development?

Question 3 - The charity's strategy

What are the key elements of your charity's medium to long term strategy?
How does your charity measure the success of the strategy?

Question 4 - The charity's objectives and achievements

What were your charity's main annual objectives and were they achieved?

Question 5 - The charity's income and spending

What were your charity's most significant activities during the year and how much did it spend on them?

Question 6 - The charity's financial health

How would you describe your charity's financial health at the end of the period?

Question 7 - The next year

How will the overall performance last year affect your charity's medium to long term strategy?

Question 8 - The charity's governance

How does your charity ensure that its governance arrangements are appropriate and effective?

Appendix 3: Interview Protocol

The interviews will be semi-structured, recorded and transcribed. Questioning will be guided by the protocol laid out below, taking into account the role of each participant and the context of the hospice. Prior to each interview, I will explain that their confidentiality will be guaranteed with any references to their responses anonymised and all records will be securely held.

Each interview will cover the following topics/areas for questioning:

1) **Role and background of respondent**: trustee, chief exec, accountant, operational manager,

(explore **belief** control, values)
How did they come to do this job and why?
What is their role within the organisation?
Try to develop their motivations here (before asking further questions)
What motivates them and their colleagues?
How is shared vision created?
Role of mission statements – formal and other mechanism -informal.
Training & recruitment of staff & volunteers/professional standards

2) **What do they consider 'good' performance in a hospice?**

(explore strategy formulation)
How would they measure the success of a hospice? Do they think it is important to know what they consider is 'good' performance?
How might 'success' be considered by differently stakeholders (trustees, donors, management, patients, staff, volunteers)?
How is this expressed in their strategy and/or operational plans?
How is strategic direction determined? (emergent/bottom up, top down)
Does strategy change within its planned timeframe and how do you respond?
Include financial strategy

3) **How is 'good' performance delivered?**

(Strategic uncertainties - explore **interactive** controls)
Explore management processes with roles of:
Operational plans
Meetings – frequency of formal, informal
Formal information flows
Non-routine decisions
Communication and delegation of Hospice/team/individual goals
Get details of formal meetings/informal ones

4) How do they ensure that poor performance is avoided?

(determining risk to be avoided – **boundary** controls)
How do they know the limits of their responsibilities?
How do they work as team, achieve the same end?
Operating rules, codes of conduct, policies and procedures
Activity plans
Budgets

Appraisals/rewards
(Safety, quality, efficiency, effectiveness)

5) **How do they know if they are doing 'well' – individually, as a department, as a hospice?**

(critical success factors – **diagnostic** control)
Performance measures
User feedback, surveys
Public sector – CQC inspections
Thank you letters, complaints

6) How is performance measured? (diagnostic control)

To whom does the charity report to externally? (Formats, frequency, content)

To whom does the charity report to internally? (Formats, frequency, content)

Can I see specific performance information eg budgets, plans, KPIs, quality stats?

Do they consider that all performance should be measured?

What are the costs and benefits (financial, psychological) of reporting?

Are they satisfied with the information produced? i.e. content, amount, clarity, format and frequency? What could be done to improve it?

Specifically: do they produce:
Annual Review
Funders' reports
Website
Outcomes based impact assessment (Outcomes compared to inputs)
Output based impact (ie output compared to input)
Balanced scorecard
Quality measures
Statistical data (eg minimum data set)
Satisfaction surveys
Description of achievements
Cost- benefit analysis
Social Return on Capital
Other please specify

7) Who or what drives performance measurement?

External - regulator, donors, public, HMRC

Internal – trustees, management

Which are most influential? Which should be most influential?

Try to establish formal /informal influences on performance measurement

8) For what purposes is performance measurement information used?

Monitoring (target setting, performance against plan)

Decision making (strategic and operational; allocation of resources)

Legitimation (accountability, demonstration of achievements, compliance)

Attention seeking (problem solving)

Which of these is most important from the perspective of different stakeholders?

How do external reports differ from those produced internally?

Should financial performance been treated in a different way to operational performance?

Is reporting used more to 'prove' than 'improve' performance?

Cause and effect linkages – are they relevant to hospices?

9) **How does performance measurement contribute to the management of a hospice?**

(ie overview of what they have just said to get a sense of priority – balance of controls)

What role should performance measurement have in a hospice?

ie Contrast diagnostic and interactive uses of performance measurement information. Ask which is most effective in stakeholder relationships.

How is performance measurement used in strategic/operational planning processes?

How do values and beliefs influence performance management?

How do other factors balance performance measurement? (eg boundary controls)

Specific issues

Changing environment

Funding changes – recession, public sector
Political – Big Society
Demographic
How has this affect hospice management?

Changing relations with partnerships

Costing systems: (delivering cost-effectiveness King's College/Help the Hospices Review)

Tariff proposals: National Palliative Care funding

Appendix 4: Participant information sheet

Research question: How are measures used to manage the performance of English and Welsh hospices?

Cathy Knowles PhD student University of Bristol, School of Economics, Finance and Management

What is the purpose of the study?

The study will investigate how the performance of a hospice is managed and what part, if any, performance measures have to play. Charities are coming under increasing pressure to account for their performance *externally*, as the availability of funding is reduced while demand for services is increasing. With limited resources, donors are more exacting in their demands for charities to account for the effectiveness of their donations. More funding is received under contracts rather than donations, with stipulations of acceptable performance levels. Independent hospices in England and Wales are subject to similar pressures. Indeed, there are pilot projects being carried out on how a tariff system might be implemented for NHS hospice funding. This research will look specifically at how hospices *internally* manage their performance and whether performance measures play a significant role in how they manage their operations.

Aims and objectives

The main research question can be broken down into a number of sub-questions:

1) How do hospices perceive 'good' performance?
2) How is hospice performance measured?
3) Who or what drives performance measurement in a voluntary hospice?
4) For what purposes is hospice performance measurement information used?
5) How does performance measurement information contribute to performance management in a voluntary hospice?

Participants

I am hoping to speak to five key people in each hospice organisation, including the CEO, a Trustee and a finance manager.

Ethical approval: The research has been approved by the Ethics Committee, University of Bristol.

Who am I?

I am currently a part-time PhD student at the University of Bristol. I am also a Senior Lecturer in Accounting at Oxford Brookes University, where I have taught for the last 13 years. I qualified as a Chartered Management Accountant with Unilever plc, worked as a management accountant for Marks and Spencer and was the Financial Controller for New Business Development for H.J Heinz. I have also held various honorary Treasurer roles in small charities. My first degree was an MA in Modern History from the University of Oxford.

Contact for Further Information
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cknowles@brookes.ac.uk

Appendix 5: Case Interviews carried out

Hospice	Role	Date	Background
Feasibility	CEO	11/1/2013	Finance, clergy
	Hospice manager	14/9/2013	Nurse, academic
	Two Hospice managers	2/4/ 2014	Nurses
BARTON	Initial briefing	18/10/2013	CEO
	CEO	6/3/14	Forces
	Finance	17/6/14	Private sector
	Care (Nurse)	6/3 /14	NHS
	Business Commercial	6/3/14	Private sector Retail
	Business Fundraising	9/5/14	Banking
	Trustee (Nurse)	17/6/14	NHS, academic
CAVELL	Initial briefing	2/12/14	CEO
	CEO	8/1/15	NHS, army
	Finance	8/1/15	Manufacturing,
	Care (Medical Consultant)	16/1/15	NHS, charity
	Business	16/1/15	Charity
	Trustee (Finance)	8/1/15	NHS
GUINNESS	CEO	24/3/15	Army, charity
	Care (Social care)	24/3/15	Social care
	Finance	23/3/15	Public sector
	Business	23/3/15	Charities
	Trustee (Finance)	23/3/15	Private sector
NIGHTINGALE	CEO	16/2/15	NHS
	Finance	16/2/15	Manufacturing, charity

	Business Fundraising	20/4/15	private sector
	Business Retail	20/4/15	Private sector
	Trustee (Finance)	20/4/15	NHS
SEACOLE	CEO	8/5/15	NHS
	Finance	8/5/15	Charity
	Trustee (Medical)	July 2015	Academic, medical
	Business	8/5/15	Charity
Feedback	Finance & Information systems	18/2/2017	Charity

Appendix 6: Case documents

	Barton	Cavell	Guinness	Nightingale	Seacole
External Finance	Annual Review (2014; 2013; 2015) SIR (2011; 2012) TAR (2013) Financial Statements (Years ending 2009-2014)	Annual Review (2012-13; 2013-15) SIR (2012, 2013) TAR (2013) Financial Statements (Years ending 2009-2014)	Strategic Plan (2013-18) SIR (2012, 2013) TAR (2013) Financial Statements (Years ending 2009-2014)	Annual Review (2014-15) SIR (2012, 2013) TAR (2013) Financial Statements Years ending (2009-2014)	Annual report (2013-14) SIR (2012, 2013) TAR (2013) Financial Statements Years ending (2009-2014)
External clinical	Patient Services & Quality Account (2012-13; 2013-14; 2014-15) Quality report quarterly (2013; 3 reports)	CGC reporting (2014) Service improvement, user feedback (2013)	Local quality indicators (Commissioners) (2014-15) Quality Account (2014-15)	CQC Inspection (2013, 2014) CCG quarterly reports (201)4 Quality account (2013-2014)	Quality Account (2013-14) CQC Inspection (2014)
External Other	Website information Newsletters	Website information Newsletters	Website information Impact report	Website information News magazine	Website information
Internal Board	Monthly KPIs Minutes Patient forum, Hospice Services committee Goals/mission/values	Hospice Strategy (2014-15) Critical success factor reporting Minutes of board sub-committees	Operating plan & scorecard (2014-15) Minutes board & committees	Balanced scorecard Five year strategy Goals/mission KPI development	Strategy (2012-2016) Operational plan *2014-15) Minutes of Board meetings

Internal Finance	Monthly management accounts	Monthly management accounts Cost of care	Monthly management accounts	Monthly management accounts Benchmarking	Monthly management accounts
Internal other	Patient letters				

Appendix 7: Thematic coding of case interviews

	Original Code	Sub-codes		Grouping
1	Benchmarking			D
2	Board	Meetings		I
3		Relationships		I
4		Reporting		D
5		Visits		I
6	Boundaries			BO
7	Business language			B
8	Community, social responsibility			B
9	Divisional structure			Not used
10	Funders (non NHS)	Contract/grant		BO
11		Relationships		I
12		Reporting		D
13	Good performance	How is it delivered		4
14		What is it		4
15		Informal diagnostic		D
16	Hospice background	General		Background
17		Ethos/culture		B
18		Funding review		Background
19		Independence		B
20		Innovation		B
21		Palliative care history		Background
22		Private sector		B
24	IT systems			Not used
25	NHS	Contract/grant		BO
26		Relationship		I
27		Regulation		BO
28	Patient relationships			I
29	Performance measurement			D
30		Drivers of info		4
31		Purposes of info		4
32		Types of information	Financial	D
33			Financial budget	D
34			Financial costing	D
35			KPIs	D

36			Outcomes	D
37			Quality/clinical	D
38			User feedback	D
39	Personal motivations			B
40	Policies/procedures			BO
41	Regulation			BO
42	Senior management	Appraisals		BO
43		Meetings		I
44		Relationships		I
45		Reporting		D
46	Staff	Appraisals		BO
47		Engagement/communications		I
48		Non performance		BO
49		Policies/procedures		BO
50		Recruitment		B
51		Training		B
52	Strategic planning	Mission		B
53		Process		I/BO
54	Volunteers			B
	Code: B= belief; BO= boundary;	D = diagnostic; I = interactive		

Appendix 8: Examples of thematically aligned aims, strategies, measures, objectives and achievements

Hospice	Aim	Strategy	Measure	Objective	Achievement
St Luke's Plymouth (finance)	We aim to increase resources into the services through innovation and enterprise	To develop additional sources of income and hence achieve sufficient surplus To build reserves to 6 months expenditure	Annual Review	To develop additional sources of income and hence achieve sufficient surplus and develop initiatives. Increase income through social enterprise	Domiciliary care agency business plan prepared, CQC registration obtained and tenders submitted to gain contracts as well as private work. Marketing has commenced.
St Helena (education)	Training and education are available to Masters level through the Education Centre which is facilitated by a local university	Extend education and research in palliative care. Build the national and regional profile of St Helena education and research	Operational plan	Extend education and research in palliative care	First year accreditation by Leeds University as Practice Development unit
Weldmar (partnership)	We aim to be an active and constructive partner in health and social care in Dorset	Create excellent working relationships within the new NHS and local authority structure	Clinical audit of our and our partners services	Create strong commissioning relationships with the NHS	We have worked with commissioners to access small increases in funding at a difficult time
Heart of Kent (staff)	Utilising the specialist skills of its multidisciplinary team	Having appropriate culture and skills	Staff satisfaction questionnaires	Develop personal and professional evidence based competencies which will inform the appraisal process	Research and benchmarking carried out to inform the appraisal process

Appendix 9 :
Performance Measures

TAR		Barton	Cavell	N-gale	G-ness	Seacole
Outputs	No of beds		x		x	x
	No of bed days	x	x	x	x	
	No of referrals	x	x	x	x	x
	No of families				x	
	No of patients	x	x	x	x	
	No of admissions	x	x	x	x	x
	No of deaths/discharges	x	x	x	x	x
	No of clinic attendances	x	x		x	
	No of staff	x				
	No of phone calls	x	x			
	No of visits	x	x			
	No of drug incidents	x	x	x	x	
	No of complaints	x	x	x	x	x
	Course attendance	x				
	No interventions	x				x
Volunteers	No of volunteers	x	x	x	x	x
	Value of volunteers	x				x
	Volunteer hours	x			x	x
Efficiency	Prompt admission					
	Occupancy	x	x	x	x	
	Length of stay	x	x	x		
Outcomes	No of non-cancer	x	x	x	x	
	Patient /carer satisfaction	x	x	x	x	X
	Prompt response			x	x	
	Home deaths/pref place of death	x	x	x		X
	BME					x

Additional measures not in TAR

Service provision		Barton	Cavell	N-gale	G-ness	Seacole
	Quality account	x		x	x	x
	Quality report	x		x		
	Patient Services	x				
	Contacts			x		x
	Attendance					x
	Non attendance			x		x
	Safe guarding		x	x	x	
	Slips/trips/falls	x		x		x
	Infection	x		x		x
	Pressure ulcers	x		x		x
	Incidents	x	x	x		
	Impact report				x	
	Compliments			x	x	
	shifts offered	x				
	shifts not covered	x				
	patients died at home	x				
	places offered	x				
	places taken	x				
	throughput	x				
	teaching days			x		
	students	x				
	student placements	x				
	analysis by service	x				
	chaplaincy hours	x				
	staff visits to chaplaincy	x	x			
	referrals to chaplain		x			
	chaplain visits/contacts	x	x	x		
	funerals/memorials		x	x		
	people served by community events	x				
	CAB money/clients/contacts	x				
	patient diversity		x			
	new referrals by month by service	x			x	
	group sessions				x	
	internal audits	x	x	x	x	x
	external audit/inspections	x		x	x	
	waiting list			x		
	provision of special equipment			x		
	av time telephone calls			x		

		Barton	Cavell	N-gale	G-ess	Seacole
	av face to face time per patient			x		
	no of group sessions			x		
	speed of referral			x		
	acute admissions avoided			x		
	ethnicity				x	
	supported hours				x	
	respite breaks				x	
	transition numbers				x	
	information governance				x	
	episodes				x	
Financial	income/expenditure	X	x	x	x	x
	balance sheet	X	x	x	x	x
	cashflow	X	x	x	x	x
	narrative	X	x	x	x	x
	monthly management accounts	X	x	x	x	x
	longer plan	X	x	x	X	x
	budget	X	x	x	x	x
	detailed costs		x	x		
HR	staff satisfaction /survey	X		x		
	staff turnover	X	x	x	x	x
	staff sickness	X		x	x	x
	minimum data set			x		
	equality analysis			x		
	volunteer turnover			x		
	volunteer training	X				
	volunteer background		x			
	staff training			x	x	
	overtime					x
	employee numbers			x	x	x
	recruitment					x
	length of service of leavers					x
Bench-marking			x	x	x	x

		Barton	Cavell	N-gale	G-ness	Seacole
Retail	trading account	x	x	x	x	
	narrative	x				
	daily/weekly sales by store	x		x		
	moving annual target/forecast	x				
	store profitability/contribution	x				
	av selling price	x				
	store margins	x		x		
	% donated goods	x				
	footfall		x	x		
	gift aid%	x	x			
	customer complaints		x			
	customer survey/feedback	x	x			
	epos	x		x		
	stock turnover			x		
	stock take accuracy	x				
	number of transactions					
	no of volunteers in shops/value		x			
	age/gender vol in shops		x			
	no of shops		x			
	budget sales by store by week	x				
	income per sq ft			x		
	store ROI			x		